

Annual Report 2009/2010





Annual Report 2009/2010

1. INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY.....	1
1.1 MAYOR'S FOREWORD.....	1
1.2 DEPUTY MAYOR'S FOREWORD.....	2
1.3 REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2010.....	3
1.4 CATCHMENT OF THE MUNICIPAL AREA.....	5
1.5 POPULATION.....	5
1.6.1 Males.....	5
1.6.2 Females.....	5
1.7 ETHNOGRAPHICS.....	5
2. PERFORMANCE HIGHLIGHTS.....	7
2.1 STRATEGIC SUPPORT SERVICES - IDP / DEVELOPMENT PLANNING 2009/2010.....	7
2.2 IDP / DEVELOPMENT PLANNING 2009/2010.....	7
2.3 DEVELOPMENT ADMINISTRATION.....	7
2.4 SPATIAL PLANNING.....	8
2.5 SUMMARY PERFORMANCE HIGHLIGHTS.....	10
2.5.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT.....	10
2.5.2 INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY.....	10
2.5.3 FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT.....	11
2.5.4 LOCAL ECONOMIC DEVELOPMENT AND COMMUNITY SERVICES.....	11
2.5.5 GOOD GOVERNANCE AND COMMUNITY PARTICIPATION.....	13
2.6 BACKLOG IN SERVICE DELIVERY.....	15
3. HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT.....	16
3.1 INTRODUCTION.....	16
3.2 PERFORMANCE HIGHLIGHTS.....	16
3.2.1 EMPLOYMENT EQUITY REPORT.....	16



3.2.2 WORKPLACE SKILLS PLAN AND ANNUAL TRAINING REPORTS.....	17
3.2.3 RECRUITMENT.....	17
3.2.4 EMPLOYEE RELATED COSTS AND ALLOWANCES.....	18
3.2.5 FORMULATED POLICIES.....	19
3.2.6 HUMAN RESOURCES DEVELOPMENT.....	20
3.2.6.1 EMPLOYEES THAT WERE TRAINED DURING 09/10.....	20
3.2.6.2 PERFORMANCE MANAGEMENT SYSTEM.....	20
3.2.6.3 DISCIPLINARY CASES AND GRIEVANCES.....	20
3.3 PERFORMANCE AGAINST STRATEGIC OBJECTIVES – SDBIP.....	21
3.4 CHALLENGES.....	24
3.5 IMPROVEMENT PLANS / CORRECTIVE MEASURES.....	24
3.6 PRIORITIES FOR IDP 2009/2010.....	25
4. FUNCTIONAL AREA SERVICE DELIVERY REPORTING.....	27
4.1 ENGINEERING SERVICES.....	27
4.1.1 ENGINEERING DEPARTMENT SDBIP REPORT.....	27
4.1.2 IMPROVEMENT PLANS/ CORRECTIVE ACTION	31
4.1.3 BUDGET EXPENDITURE	31
4.1.4 CHALLENGES FOR THE 2009/10.....	31
4.1.5 PRIORITIES FOR IDP 2010/11.....	31
4.2 COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT.....	31
4.2.1 POVERTY ALLEVIATION PROJECT.....	32
4.2.2 JOBS CREATED DURING THE YEAR.....	32
4.2.3 COMMUNITY SERVICES SDBIP REPORT.....	33
4.2.3.1 IMPROVEMENT PLANS / CORRECTIVE MEASURES	33
4.2.3.2 BUDGET EXPENDITURE.....	34
4.2.3.3 CHALLENGES FOR THE 2009/10.....	34



Annual Report 2009/2010

4.4.1 BILLING.....	35
4.4.2 CREDIT CONTROL AND DEBT COLLECTION.....	35
4.4.3 PAYMENTS AND FINANCING	36
4.4.4 BUDGET, REPORTING AND COMPLIANCE MONITORING.....	36
4.4.5 MPCC.....	36
4.4.6 SCM.....	36
4.4.7 FINANCE SDBIP REPORT	37
4.4.7.1 IMPROVEMENT PLANS / CORRECTIVE MEASURES	41
4.4.7.2 BUDGET EXPENDITURE.....	41
4.4.7.3 CHALLENGES FOR THE 2009/10.....	41
4.4.7.4 PERFORMANCE BY SERVICE PROVIDER.....	41
5. AUDITED STATEMENT AND RELATED FINANCIAL INFORMATION	42
6. AUDITOR GENERAL'S REPORT.....	81

CHAPTER 1

Introduction and overview of the municipality



1. INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY



1.2 MAYOR'S FOREWORD

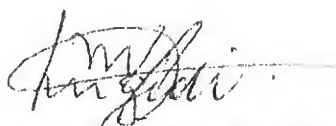
It is with great pleasure that I present the Annual Report on the activities of the Maphumulo Local Municipality for the financial year 1 July 2009 to 30 June 2010. The strategic priorities for the Maphumulo Local Municipality are set out in the integrated Development Plan (IDP), which was reviewed for this financial year 2009/10 and will be revised every year as prescribed by legislation. The IDP is the core document against which the Municipality's performance was measured in this Annual Report.

In order to ensure continuous and sustained development and service delivery within the municipal area, Maphumulo Municipality identified a few programs and projects that constituted the municipality's focus areas during the year under review. These programs and projects fall under one or another of the national key performance areas for local government. The integration of these programs and projects was pursued during this planning and alignment cycle.

The following are the key performance areas (KPA's) that informed our programs and projects for the financial year 2009/10

- KPA 1: Institutional Development and Transformation
- KPA 2: Infrastructure Development and Service Delivery
- KPA 3: Financial Viability and Management
- KPA 4: Social and Local Economic Development
- KPA 5: Good Governance and Public Participation.

The Municipality adopted a Vision and Mission that will provide direction for the municipality. Under the leadership of myself and the Municipal Manager, Mr. VW Mhlongo and the Executive Committee, much progress has been made to accelerate service delivery in the municipal area. We are, therefore proud to present the achievements and challenges in this report in both financial and non-financial terms.


His Worship, the Mayor
Cllr. M.L. Ngidi



Annual Report 2009/2010

1.2 MUNICIPAL MANAGER'S FOREWORD

HANDOVER STATEMENT

SUBMISSION OF THE ANNUAL REPORT BY THE ACCOUNTING OFFICER TO HIS WORSHIP THE MAYOR



It is with great pleasure that I present this Annual Report for Maphumulo Local Municipality for the financial year ended 30 June 2010, as required by Section 121 of the Municipal Finance Management Act, No 56 of 2003.

This report is provided to:

- Record the activities of Maphumulo Municipality for the financial year
- Provide a report on performance against the budget for the financial year
- Promote accountability to the local community for decisions made during the past year.

Mr VW Mhlongo
Municipal Manager
Maphumulo Local Municipality
KwaZulu Natal



VISION

To improve the quality of life of all residents in Maphumulo through, the provision of appropriate and adequate infrastructure, social empowerment and promoting local economic development, creating an investment friendly environment in an environmentally sustainable manner

**MAPHUMULO LOCAL MUNICIPALITY
AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2010**

We are pleased to present our report for the financial year ended 30 June 2010.

APPOINTMENT OF AUDIT COMMITTEE

Maphumulo Local Municipality is served by an Audit Committee appointed in terms of the Council Resolution no: Mapex 87/06/07. There are three members of the Audit Committee, namely:-

- Mr. B. Ndlovu – Chairperson (Appointed on 06/12/2007);
- Mr. S. Dlomo (Appointed on 06/12/2007)
- Mr. S. Sithole (Appointed on 06/12/2007)

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the independent members listed hereunder, is required to meet at least four times per annum as per its approved Terms of Reference. During the year under review, five meetings were held as follows:-

- 02 July 2009
- 21 December 2009
- 01 February 2010
- 24 March 2010
- 28 June 2010

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Mr. B. Ndlovu	4
Mr. S. Dlomo	5
Mr. S. Sithole	2

AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal Terms of Reference in our charter in line with the requirements of Section 166 of the Municipal Finance Management Act, No. 56 of 2003. We further report that we conducted our affairs in compliance with the charter.

THE EFFECTIVENESS OF INTERNAL CONTROL

We have reviewed various reports from the Internal and External Auditors, and the report on the adequacy and effectiveness of internal control systems. We have also reviewed the external



Annual Report 2009/2010

auditor's report. During the year under review, several deficiencies in the systems of internal control were reported by the internal auditors and the Auditor-General.

Furthermore, management should take all reasonable steps to ensure that internal control weaknesses identified by internal and external auditors are rectified to ensure adequacy and effectiveness of the system of internal controls.

INTERNAL AUDIT

The Committee is satisfied that the internal audit work was conducted in accordance with the approved internal audit plan, and with the content and quality of internal auditors quarterly reports prepared and issued for the period under review.

THE QUALITY OF IN-YEAR MANAGEMENT AND MONTHLY/QUATERLY REPORTS SUBMITTED IN TERMS OF THE MFMA.

The Committee has not reviewed the quality of in-year management and monthly / quarterly report submitted in terms of the MFMA and the Division of Revenue Act, but relied on the feedback of the Auditor – General who has not reported adversely in this regard.

Evaluation of financial statements

We have done the following;

- Reviewed and discussed the Municipality's annual financial statements for the year ended 30 June 2010;
- Reviewed the Auditor - General's management letter and management's response thereto;
- Reviewed the Municipality's compliance with legal and regulatory provisions; and
- Reviewed the Auditor-General report.

The Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor – General.

The Committee wishes to express its appreciation to the officials of the Municipality and the Auditor-General for their assistance and co-operation.

B Ndlovu
Chairperson of the Audit Committee
30 June 2010



1.3 OVERVIEW OF THE MUNICIPAL AREA

1.3.1 VISION

To improve the quality of life of all residents in Maphumulo through, the provision of appropriate and adequate infrastructure, social empowerment and promoting local economic development, creating an investment friendly environment in an environmentally sustainable manner

1.3.2 MISSION

- Creating an enabling environment for economic development
- Empowerment of municipal staff and social stakeholders
- Ensure participation of marginalized community, especially women, youth, disabled and HIV/AIDS infected and affected
- Ensuring clean and safe environment

1.3.3 DEMOGRAPHICS

Maphumulo Municipality (KZ 294) is one of the four municipalities that constitute iLembe District Municipality (DC) 29. Maphumulo is bounded to the north by Tugela river and extends approximately 30 KM to its southern boundary with Ndwedwe Local Municipality (KZ 293).

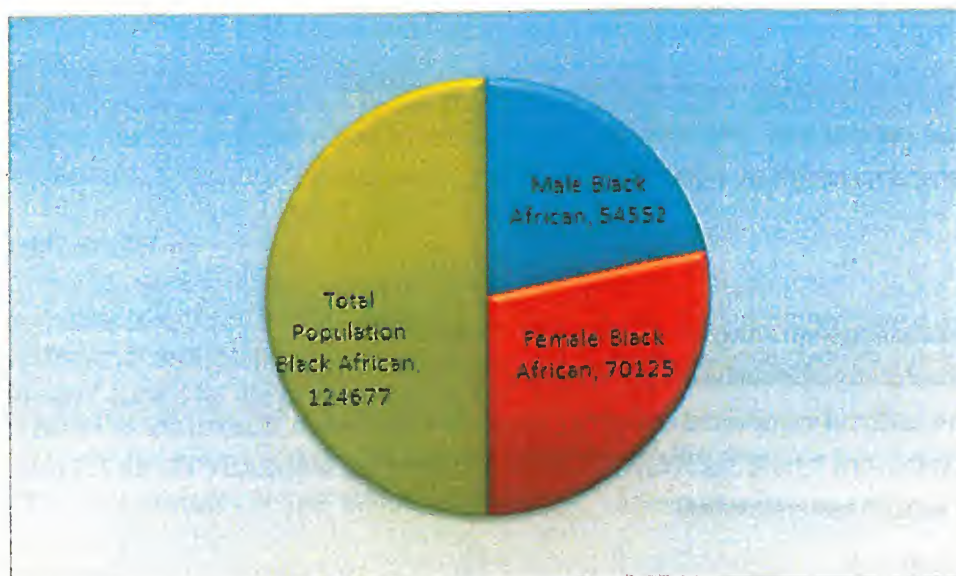
A distinguishing characteristic of the Municipality is its predominantly rural character comprising mostly of traditional authority's land administered by the Ingonyama Trust on behalf of local communities. Situated on the R74 Road from Stanger to Kranskop is Maphumulo town, which has been identified as the Municipality's principal service and administrative node, and future focus of economic growth and development.

Gender structure Population		Population	Percentage of gender population
Male	Black African	54 552	43.75%
Female	Black African	70 125	56.25%
TOTAL POPULATION		124 677	100%



Annual Report 2009/2010

Percentage of gender population

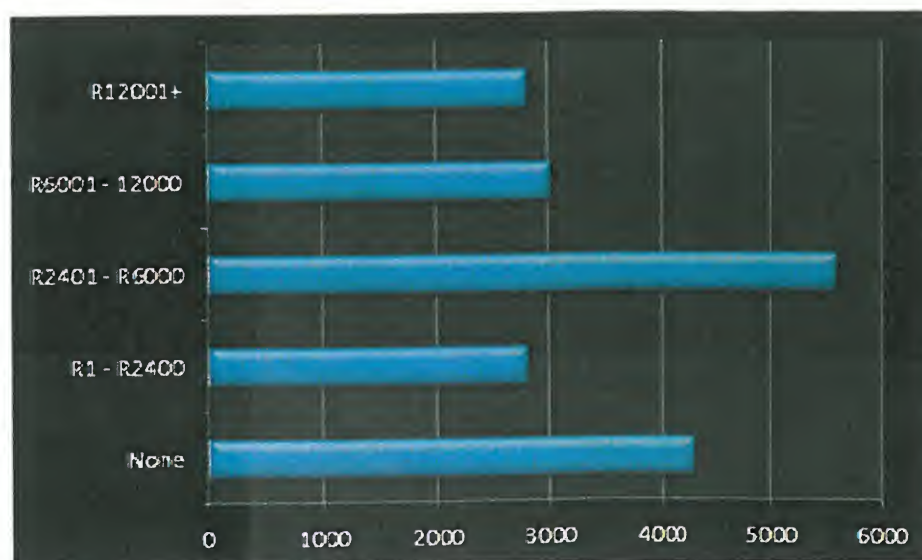


Graphical representation 1

Household income

None	R1 -R2400	R2401 – R6000	R6001 – R12000	R12001+	Totals of household income
4 282	2767	5619	3028	2725	18421
23.25%	15.02%	30.50%	16.44%	14.79%	100%

Table: Household income (Statistics SA) (Census Data)





2. PERFORMANCE HIGHLIGHTS

2.1 STRATEGIC SUPPORT SERVICES - IDP / DEVELOPMENT PLANNING 2009/2010

The Development Planning/ IDP division is directly linked to the Municipal Manager's office and is responsible for the two separate but interrelated functions of Development Planning as well as the Integrated Development Planning (IDP). Both functions are managed by the Executive Manager –Corporate Services.

2.2 IDP / DEVELOPMENT PLANING 2009/2010

The Municipality has in accordance with the Municipal Systems Act, Act 32 of 2000 prepared a comprehensive Integrated Development Plan for the five year period starting from 2007 to 2011. The IDP as the Service Delivery vehicle and the Strategic Plan of the Municipality that informs decision making as well as all the business processes of the Municipality is consistent with the following Key Performance Areas (KPA):

- Institutional Development and Municipal Transformation
- Infrastructure Development & Basic Service Delivery
- Financial Viability and Financial Management
- Social & Local Economic Development
- Good Governance and Public Participation

2.3 DEVELOPMENT ADMISTRATION

Development Administration section is responsible for dealing with Ingonyama Trust land applications as our municipal area is 99% owned by Ingonyama Trust. These are the applications that dominate the work done in this section. This section is also responsible for accepting and processing development applications submitted in accordance with the Planning Development Act, Act 6 of 2008 (PDA) within the municipality of Maphumulo Municipal Area. The Municipal Planner has been appointed to deal with planning development applications as required by PDA.

Maphumulo municipality has formed a Service Level agreement with iLembe District Municipality to form an iLembe Planning and Development Shared Service. The functions of the Shared Service are to assist the municipality in planning matters as required by the PDA.



2.4 SPATIAL PLANNING

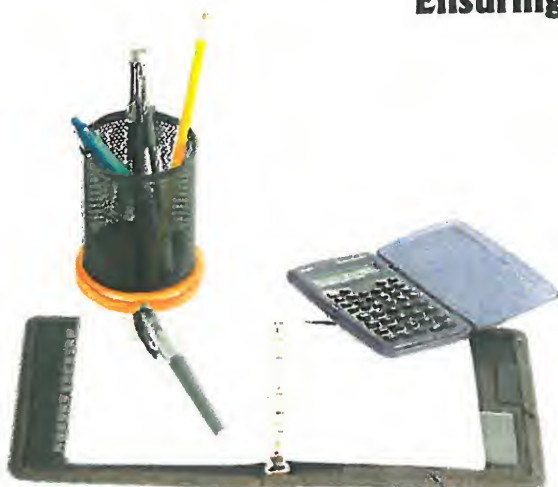
This function which forms part of the Integrated Development Planning and Spatial Development Framework as required by the Municipal Systems Act was developed and approved by the Council at its strategic meeting held on the 18th of April 2010.

Maphumulo has a strategic Support Unit which employs the Municipal Planner and is strongly supported by the Ilembe DPSS. The functions of the Unit are overseen by Mr. JI Mhlongo the Executive Manager of Corporate Services.

Herewith is the scorecard for this unit and the performances that were undertaken in the 2009/10 financial year.

MISSION

**Creating an enabling environment for economic development
Empowerment of municipal staff and social stakeholders
Ensure participation of marginalized community, especially
women, youth, disabled and HIV/AIDS infected and affected
Ensuring clean and safe environment**





STRATEGIC PLANNING AND DEVELOPMENT

KPA	Strategic/ IDP Objective	KPI	Targets	Budget R0,000	2008/9		2009/10		Status and Comments
					Actual		Target	Actual	
	To review the IDP in terms of the Municipal Systems Act and align it to the budget in terms of the Municipal Finance Management Act.	Review of the IDP for the 2010 / 2011 financial year (compliant with MSA & MFMA) by the deadline.	Finalization and approval of the review of the IDP for the 2010 / 2011 financial year by 30 June 2010.	R120	IDP developed and adopted by the Council as prescribed.		To develop and adopt an IDP as prescribed.	IDP developed and adopted by the Council as prescribed.	None
	To undertake the development of strategic and sector plans.	Spatial Development Framework developed and adopted	Spatial Development Framework developed and adopted	R150	No Spatial Development Framework in place		To develop and adopt Spatial Development Framework	Spatial Development Framework not yet adopted	The Spatial Development Framework was only developed and adopted in April 2010.
	Implementation of the provisions of the new Planning Development Act.	Municipal Planner trained and equipped to implement the provisions of the new Planning Development Act.	Compliance with the provisions and requirements of the Planning Development Act.	R0	PDA was only operational as from May 2010.		Implementation of PDA when it became operational as from May 2010.	PDA was only operational as from May 2010	The PDA became operational as from May 2010.
	Institutional arrangements put in place for participation in the Planning Shared Services facility.	Planning unit appropriately staffed and systems in place for effective participation in the Planning Shared Services facility.	Full engagement with the Planning Shared Services facility.	R0	Development Planning Shared Services was not yet in place.		Development Planning Shared Services was not yet in place.	Development Planning Shared Services was not yet in place.	Development Planned Shared Services only became operational during the month of January 2010.



2.5 SUMMARY PERFORMANCE HIGHLIGHTS

2.5.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Maphumulo municipality has an organogram that is comprised of 50 staff members under the leadership of the Municipal Manager who is the head of administration. There are two senior managers who have been employed in terms of section 56 of the Municipal Systems Act. There is a layer of management beneath those mentioned above which is comprised of six managers. All the programs elaborated in the IDP reside in all these managers who assist the Municipal Manager in implementing them.

The municipality developed and adopted Performance Management System (PMS) in order to improve its performance and thereby also complying with the Municipal Systems Act. This system was also workshopped to members of the Executive Committee as well to the Full Council. Both the Performance Management Policy and Performance Management Framework were developed and adopted. The workshop was necessary in order for the Councillors to be informed of the policies governing the municipality.

2.5.2 INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY

In the quest of delivering services and infrastructure development the Municipality has successfully started the process of implementing the following priorities as informed by the Municipal IDP and SDBIPs:-

- Construction of Gobuphahla and Isihlwehlwe Roads
- Construction of Ntombiyahlulunina Road and Nkoneni Road
- Construction of Ntombazane and Khatha Roads
- The Asphaltting of Sidewalks in Maphumulo Town
- Improvement in the quality of the roads within the Maphumulo Town
- Preparation of an Electrification Plan for the Maphumulo Municipality
- Construction of the Streetlights within the Town of Maphumulo
- Monitoring of the programme to address electricity backlogs within the municipality
- Monitoring of the programme to address water services backlogs within the municipality
- Construction of the Town Hall for the Maphumulo Municipality
- Monitoring of the construction of Phase 1 of the Kwa- Shushu Hot Springs project
- Monitoring of the Construction of Maqumbi Sports Field
- Provide the maintenance of municipal buildings and other facilities

- To manage the implementation of internally funded projects so that they are completed during the financial year

Engineering department is committed in service delivery. We intend to improve on the short comings and face the challenges of the past year with better approaches than previous year.

2.5.3 FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT

It was our first time as the municipality in this financial year to implement Property Rates. The other challenge is that 99.9% of the area of Maphumulo is under the Ingonyama Trust land, and the residents do not have the permission to occupy (PTO's) that will warrant the municipality to charge rates. The areas that we managed to collect rates was only from the Government properties and Public Service Infrastructures (PSI). The Budget that was aligned to IPD was approved and submitted to Treasury and COGTA as required. Annual Financial Statement was submitted to AG on the 31 August 2010. The statutory reports were submitted to the relevant stakeholders as required by the Act.

2.5.4 LOCAL ECONOMIC DEVELOPMENT AND COMMUNITY SERVICES

Local Economic Development

The partnership developed between Maphumulo Municipality and the Department of Economic Development has bared the following fruits:

- Training of 19 entrepreneurs on business management and computer literacy.
- Establishment of the Community Digital Hub run by local youth offering services such as internet access, faxing, photocopying, printing, etc.
- Establishment of Informal traders' Forum.
- Construction of the hydroponic project with the nursery and the tunnel.

Besides the project implemented through the partnership with the Department of Economic development, Maphumulo Municipality has managed to support local Small, Medium and Micro Enterprises by giving the opportunity to provide services (Waste management) on behalf of the Municipality. There are also multi –year projects that the municipality is working on which one of them is Kwa Shushu Hotspring which aims at unlocking tourism potential of the area.



SOCIAL DEVELOPMENT

HIV/AIDS

In terms of HIV and AIDS the municipality re-established Maphumulo AIDS Council which is made up of representatives from public and private organizations and community structures. The different stakeholders work collectively as a council to address the issues of prevention, treatment, care and support. Working together has produced good result when looking at the increasing number of individuals that were attended through government and non-government interventions.

DISABILITY

The council identified individuals living with disabilities that represent Maphumulo in meetings and workshops organized by ILembe District Municipality and the Office of the Premier. The council official responsible for disability always support with transportation of our representatives and gathering of information in terms of roles and responsibilities regarding implementation of disability programmes. The council is in the process of establishment of Maphumulo Disability Forum.

YOUTH DEVELOPMENT

We have succeeded in forming the interim committee to work towards the establishment of Maphumulo Youth Council. This interim committee consists of two representatives from each of eleven wards. The function of the committee was to develop the terms of reference, while participating in the development of Maphumulo Youth Development Strategy which is underway. The interim committee was also to advise the council on what needs to be done to develop local youth while waiting for the finalization of the establishment of Youth Council and development of the Youth Development Strategy.

Maphumulo Municipality has also formed partnerships with Maphumulo Sports Council, Maphumulo Local Football Association and the Department of Sports and Recreation for sport development purposes. Maphumulo is proud of the success achieved during 2010 FIFA World Cup, since Sabuyaze Sportsfield was our public viewing area in which no incident occurred throughout the tournament.

2.5.5 GOOD GOVERNANCE AND COMMUNITY PARTICIPATION

The Municipality is a category B municipality as defined in S10 of the Municipal Structure Act 117 of 1998. The municipality has a collective executive system. The Council is the legislative authority, which is empowered to take decisions, inter alia concerning by-laws, integrated development plan and the budget.

The Mayor has an overarching strategic and political responsibility and is the centre of the Maphumulo Local Municipality's Governance. The Mayor is elected in terms of Section 48 of the Municipal Structure Act and executes the functions as the executive leader of the Municipality.

In terms of Section 49 of the Municipal Structures Act, the Mayor has, amongst others, the following functions and powers in terms of this section and has the duty to report to Council on all decisions taken by the Executive Committee.

- Presides at Meetings of Executive Committee: and
- Performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by the Council or the Executive Committee.

Powers and functions delegated by the Municipal Council must be exercised by the Mayor together with the other members of the Executive Committee. The Mayor ensures that councilors comply with the Code of Conduct set out in schedule 5 of the Municipal Structures Act. Specific functions are assigned to the Mayor in terms of Section 37 of the Municipal Structure Act including:

- Presiding and maintaining order at the meetings of ExCo
- Performing the duties and exercising the powers delegated to the Mayor in terms of Section 32 of the same Act:
- Ensuring that ExCo as prescribed
- Ensuring that ExCo meetings are conducted in accordance with the rules and orders of the Council



Annual Report 2009/2010

The Council of Maphumulo Local Municipality is supported by a committee system, established in terms of section 79 of the Municipal Structure Act 117 of 1998. The Council nominates the Chair persons to these committees and determines the functions of each of the committees and in doing so may identify the need to delegate duties and powers to each.

The names of the Committees are:-

- Executive Committee
- Planning and Finance Portfolio Committee
- Infrastructure and Development Portfolio Committee
- Corporate Governance and Human Resource Development Portfolio Committee
- Community Services and Social Development Committee
- Executive Committee
- Audit Committee
- Oversight Committee

The Municipality in accordance with the Municipal Finance Management Act also prepared and adopted the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP included the planned activities and associated quarterly milestones, key indicators and targets for each strategic business unit. These documents were presented to the public in the izimbizo shows that we had for the IDP as well. It must be mentioned that there is great improvement that could be done in this areas to ensure that we fully comply with the legislation that requires public participation in Performance Management. The municipality will gradually get in those compliance stages as they get better at implementation of the Performance management system internally.

The Municipality in accordance with the Municipal Finance Management Act prepared and adopted the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP included the planned activities and associated quarterly milestones, key indicators and targets for each strategic business unit. These documents were presented to the public in the izimbizo shows that we had for the IDP as well. It must be mentioned that there is great improvement that could be done in this areas to ensure that we fully comply with the legislation that requires public participation in Performance Management.



2.6 BACKLOG IN SERVICE DELIVERY

Service	Total number of hh	No of hh with access to service	Backlog numbers
Water	21 232	10 156	11 076
Sanitation	21 232	4 469	16 763
Electricity	21 232	1143	18 502
Housing	21 232	3790 (2009/10)	21232



CHAPTER 3 3. HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

3.1 INTRODUCTION

The Corporate Services Department is headed by the Executive Manager: Corporate Services who then becomes responsible for the following sections:

- Human Resources Management;
- Labour Relations;
- Human Resources Development;
- General Administration;
- Planning Unit
- Mayor's Office Support;
- Public Participation Unit

3.2 PERFORMANCE HIGHLIGHTS

3.2.1 EMPLOYMENT EQUITY REPORT

The Municipality has developed an Employment Equity Plan and has not as yet been adopted by the Council. Table 1 exhibit the status of Maphumulo Municipality with regards to its targets in terms of employing designated groups as defined in the Employment Equity Act of 1995.

TABLE 1

OCCUPATIONAL CATEGORIES	MALE			FEMALE				White Male	Foreign National		TOTAL
	A	C	I	A	C	I	W		Male	Female	
Legislators, senior officials and managers	6			1							
Professionals	8			1							
Technicians and associate professionals	5			1							
Clerks	4			4							
Service and sales workers											
Plant and machine operators	4										
Elementary occupation	4			3							
TOTAL PERMANENT											
Non-permanent employees	5			2							
TOTAL	36			12							

Target / Numerical goals you have set to achieve for the total number of employees (including people with disabilities) at the end of the current employment equity plan in terms of occupational categories. Notes: A=Africans, C=Coloureds, I=Indians and W=Whites:



3.2.2 WORKPLACE SKILLS PLAN AND ANNUAL TRAINING REPORTS

The municipality has developed a Workplace Skills Plan and an Annual Training Report in order to address training needs of its employees. The employees who were identified to be in need for training were all subjected to training. This had assisted the municipality in improving its service delivery targets and thus improving efficiency and effectiveness of the municipality.

3.2.3 RECRUITMENT

The following is the statistics of appointments made during this financial year:

APPOINTMENT AS FROM 01 JULY 2009 TO 30 JUNE 2010				
Number	Departments / Sections	Designation	Male	Female
2053	Office of the Municipal Manager	Executive Administrative Assistant		1
2054	Budget and Treasury	Financial Intern		1
2055	Support Services	Committee Officer		1
2056	Budget and Treasury	Financial Intern		1
2057	Budget and Treasury	Financial Intern		1
2059	Budget and Treasury	Assistant Supply Chain Practitioner		1
2060	Budget and Treasury	Personnel Assistant to the CFO		1
2064	Budget and Treasury	Thusong Centre Manager	1	
2063	Support Services	Mayoral Driver	1	
2065	Support Services	Mayoral Body Guard	1	
2066	Support Services	Mayor's Personal Assistant	1	
2051	Technical Services	Engineering Technician	1	
2052	Community Services	Tractor Driver	1	
2061	Technical Services	Manager Engineering Services	1	
2062	Support Services	Municipal Planner		1

Employee Terminations within this financial year

TERMINATIONS AS AT 01 JULY TO 30 JUNE 2009				
Number	Departments / Sections	Designation	Male	Female
2001	Support Services	Administration Officer	1	
2029	Support Services	Communication Officer	1	



Annual Report 2009/2010

Employee Terminations within this financial year

TERMINATIONS AS AT 01 JULY TO 30 JUNE 2009				
Number	Departments / Sections	Designation	Male	Female
2001	Support Services	Administration Officer	1	
2029	Support Services	Communication Officer	1	

Councillors Deceased within this financial year

TERMINATIONS AS AT 01 JULY TO 30 JUNE 2009				
Number	Political Party	Designation	Male	Female
270	African National Congress	Member of the EXCO	1	
240	African National Congress	Ordinary Councillor		1
283	African National Congress	Ordinary Councillor	1	

3.2.4 EMPLOYEE RELATED COSTS AND ALLOWANCES

Employee related costs		
	6,417,583	4,220,279
Basic	324,959	224,981
Medical aid - company contributions	59,097	-
UIF	150	-
WCA	89,139	95,435
SDL	501,314	628,927
Post-employment benefits - Pension - Defined contribution plan	(14,973)	-
Supplementary Allowance	332,816	629,129
Car allowance	75,876	101,001
Housing benefits and allowances	23,000	-
Cellphone Allowance	8,518	29,218
Group Life	7,817,479	5,928,970

Remuneration of Municipal Manager		
	499,290	485,154
Annual Remuneration	196,587	162,687
Travel Allowance	6,000	6,000
Housing	25,668	25,668
Other allowances	117,238	79,885
Contributions to UIF, Medical and Pension Funds	844,783	759,394

Remuneration of Chief Finance Officer		
	516,080	328,102
	180,000	135,000
Travel Allowance	-	13,912
Other allowances	-	-
Contributions to UIF, Medical and Pension Funds	696,080	477,014



Remuneration of the Director: Support Services		
Annual Remuneration	414,956	45,423
Travel Allowance	135,600	26,333
Housing	-	558
Other allowances	-	1,642
Leave encashment	-	22,146
Contributions to UIF, Medical and Pension Funds	93,544	3,920
	644,100	100,022

Remuneration of the Director: Strategic Services		
Annual Remuneration	-	174,529
Travel Allowance	-	70,000
Contributions to UIF, Medical and Pension Funds	-	3,412
	-	247,941

Employee Benefit

Total contribution by Maphumulo Local Municipality amount to R645 529.57

The Municipality's employees are members of Natal Joint Municipal Pension Fund (a State and Multi-Employer Define Benefit Plan). Along with other Municipalities in the province of Kwazulu Natal, Maphumulo Local Municipality participates in a multi-employer defined plan. Because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. Maphumulo Local Municipality therefore accounts for the plan as if were defined contribution plan per Exposure Draft No. 49.

Remuneration of councillors

Mayor	400,121	439,717
Councillors	2,910,751	2,896,776
Cellphone Allowance	229,125	206,193
Councillors Medical Aid Contributions	82,697	63,001
Councillors Pension fund Contributions	239,341	232,152
	3,862,035	3,837,839

3.2.5 FORMULATED POLICIES

The following are the policies that were formulated, workshopped and adopted by Council:

POLICY	DEPARTMENT	STATUS	DATE APPROVED
Performance Management Policy	Support Services	Approved	18 March 2010
Anti-fraud and Corruption Policy	Budget and Treasury	Approved	12 November 2009
Communication and Public Participation Strategy	Support Services	Approved	18 March 2010
Integrated Development Plan	Support Services	Approved	18 April 2010



3.2.6 HUMAN RESOURCES DEVELOPMENT

3.2.6.1 EMPLOYEES THAT WERE TRAINED DURING 09/10

This section ensures that staff and councillors are sent for training following the adoption Municipal Work Place Skills Plan.

The following categories of staff were trained:-

- Clerical staff = 5
- Plant and Machine Operators = 4
- Technicians = 2
- Professionals = 11
- Senior Officials = 7
- Elementary occupations = 0

3.2.6.2 PERFORMANCE MANAGEMENT SYSTEM

During the course of the year the Council has approved the Performance Management System to be in line with the requirements of the Municipal Systems Act. As a result of this both the Performance Management Policy and the Performance Management Framework has been developed and approved by the Council and was implemented.

3.2.6.3 DISCIPLINARY CASES AND GRIEVANCES

The municipality had only two disciplinary cases during the financial year. One case related to employee 2012 and its first disciplinary hearing took place on 31 March 2009. The appeal was lodged and dismissed. The case was then submitted to arbitration which was held on the 3rd of February 2010 and the 4th of March 2010. This case is still under review and its outcome has not yet decided. Another disciplinary hearing case was held against employee 2029. The disciplinary hearing was set for the 2nd of February 2010 and the second disciplinary hearing was set and held on the 12th of February 2010 resulted in the employee being dismissed from employment.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Budget Implementation Plan 2009/10 CORPORATE SERVICES

National KP	IDP Objective	Key Performance Area (KPA)	Objective	Key Performance Indicators (KPI's)	Annual Target	Quarter ending 30-Jun-10			
						Quarter 1	Quarter 2	Quarter 3	Actual
Institutional Development and Transformation	To improve organisational capacity to render effective service delivery.	Corporate Human Resource Management and Administration	Ensure that each post in the organisational structure has an updated job description attached to it	Review and update the job description for each post to level 5 in the organisational structure of the Municipality	Facilitate the finalisation of a job description for each post to level 5 in the functional organisation of the Municipality	Q1 Actual	Q2 Actual	Q3 Actual	Projected
						N/A	Job descriptions reviewed	Areas of variance were identified and addressed	Development of appropriate job descriptions for each post to level 5 in the organisational structure of the Municipality
			Training of staff to improve their skills level in terms of the Workplace Skills Plan for the 2009/10 financial year	Number of staff trained	All training to be conducted in terms of the Workplace Skills Plan	20% were trained	40% were trained	85% staff were trained	100% of identified staff trained in terms of the Workplace Skills Plan. Monthly training monitoring report prepared for each month. Annual training monitoring report prepared for submission to the Local Government SETA.
							Job descriptions reviewed		Job descriptions reviewed
									Certificates obtained are attached





Annual Report 2009/2010

PERFORMANCE AGAINST STRATEGIC OBJECTIVES Contd.....

Institutional Development and Transformation		to render effective service delivery.						
Institutional Development and Transformation	To develop a WSP for 2010/2011	WSP developed and adopted by Council before deadline date	WSP finalised by 30 June 2010	N/A	Skills Audit was conducted by Dec 2009	Draft WSP was submitted to senior management for review	WSP submitted to Council for adoption and submitted to DOL	Copy of WSP attached
	Efficient and effective handling of all labour related matters	Facilitate the coordination of the local labour forum on a quarterly basis.	Full compliance with the legislation with regard to labour and industrial relations matters.	2 meeting co-ordinated	2 meeting co-ordinated	2 meeting co-ordinated	(a) Quarterly local labour forum meetings coordinated.	Copy of Local Labour Forum minutes attached
	Maintenance of a personnel file for each official	Quarterly review of personnel files for completeness	All personnel files to be complete and up to date	30% reviewed	75% reviewed	95% of files reviewed attached	100% of personnel files reviewed for completeness	Schedule of files reviewed attached
	To recruit and appoint staff to vacant posts that have been budgeted for	Actual number of posts filled	10	6 posts filled by September 2009	3 posts filled by December 2009	2 posts filled by March 2010	N/A	Payroll attached as evidence
	10. Access to Information	No Manual in place	Manual developed by deadline- Mid December 2009	Research done and first draft developed by September 2009	N/A	Final draft adopted by EXCO and submitted to DOL by Feb 2010	N/A	Manual attached
	Put institutional arrangements in place for implementation of the records management systems	a) Records Officer appointed by deadline	a) End June 2010	N/A	N/A	N/A	a) Records Officer appointed	Not achieved
Records Management								

PERFORMANCE AGAINST STRATEGIC OBJECTIVES Contd.....

Institutional Development and Transformation	Institutional Development and Transformation
to render effective service delivery.	Secretariat and Administration

Management of the Portfolio Committee System of the Municipality	Scheduling of all Portfolio Committee, EXCO and Council meetings	Portfolio Committee, EXCO and Council meetings to be conducted in accordance with an agreed schedule	1 portfolio meeting, 3 EXCO meetings, 1,5 council meetings	1 portfolio meeting, 3 EXCO meetings, 1,5 council meetings	1 portfolio meeting, 3 EXCO meetings, 1,5 council meetings	Minutes of meetings attached
Provision of a secretariat for the operation of the Council and all Council Committees	Agendas for all meetings to be delivered at least 48 hours before the scheduled meeting.	Compilation and delivery of accurate agendas in accordance with the Municipality's Standing Rules of Order	Agenda's delivered in accordance with the rules of standing orders	Agenda's delivered in accordance with the rules of standing orders	Agenda's delivered in accordance with the rules of standing orders	Distribution list attached
Provision of a secretariat for the operation of the Council and all Council Committees	Draft minutes to be compiled within three working days of the meeting.	Compilation and delivery of accurate minutes in accordance with the Municipality's Standing Rules of Order	Minutes are prepared in accordance with the standing rules of order	Minutes are prepared in accordance with the standing rules of order	Minutes are prepared in accordance with the standing rules of order	Minutes are attached
Updating of the communication strategy to include reporting by structures and office bearers	Communication strategy reviewed, updated and approved for implementation	Communication strategy reviewed and updated before 31 December 2009	N/A	N/A	Revised and adopted by council on 25 March 2010	Resolution adopting Communication Strategy



Annual Report 2009/2010

3.4 CHALLENGES

The municipality has challenges in terms of gender equity at the management level as it has only one female with eight managers. We are currently unable to recruit adequate managers and as a result steps have been taken to review our policies in order to comply with the equity requirements in our municipality.

The municipality has further challenges that relates to lack of skilled personnel. Once the municipality has trained its technical staff and become competent, they then leave the municipality.

The municipality does not have alternative sources of revenue to finance its operations. It mainly relies on equitable share allocation. This has also a negative effect in its salary structure when compared with capital expenditure.

3.5 IMPROVEMENT PLANS / CORRECTIVE MEASURES

The municipality has aligned itself to the five national key performance areas in order to improve service delivery. It has been structured its activities as follows:-

- Institutional development and transformation :- This key performance area is under the office of the Executive Manager: Corporate Services;
- Basic service delivery is under the Manager – Technical Services;
- Financial viability and management – is being taken care of by the Office of the Chief Financial Officer;
- Local Economic Development is under the Manager – Community Services;
- Good Governance and Public Participation – is under the office of Executive Manager: Corporate Services

During the course of the year the Council has approved the Performance Management System to be in line with the requirements of the Municipal Systems Act. As a result of this both the Performance Management Policy and the Performance Management Framework has been developed and approved by the Council and was implemented..

Great strides has been made in staff training and development . The Workplace Skills Plan has been developed through consultation with all managers. All employee's training needs were identified and were all sent to training in terms of the identified training needs.

There are three Engineering Technicians whose main tasks are to maintain the existing infrastructure as well as attending to the backlogs in service delivery. They are being assisted by a deployee from the Development Bank of South Africa.

The vacancy rate within the municipality is minimum and is due to the budgetary constraints faced by the Municipality. The position of the Director – Infrastructure, Community Development and housing is vacant and could not be filled because of budgetary constraints.

3.6 PRIORITIES FOR IDP 2009/2010

Subsequent to the submission of the Maphumulo Municipality's 2008/09 Integrated Development Plan (IDP) to the MEC for Local Government last year, the municipality embarked on the implementation of programmes identified. Feedback on the plan has since been received from various stakeholders, a number of developments took place resulting in changes within the municipality and a lot of lessons were learnt from the monitoring of progress during implementation. These serve as the key areas of focus for the 2009/10 IDP review, and can be summarized as follows:

- Assessment of the implementation status of the IDP and the general level of development within the municipality
- Addressing comments on the 2008/09 IDP from various stakeholders including those from the MEC for Local Government
- Addressing gaps identified as a result of the municipality's self-assessment as well as lessons learnt during implementation
- Consideration of new realities that need to be addressed within the plan in 2009/10
- Confirmation of priorities, the review of the municipality's development objectives, strategies and projects in line with the approved vision
- Alignment of the reviewed IDP with sector plans, the municipal budget and the organisational performance management system
- Design/confirmation of mechanisms, programmes and projects to be implemented during the 2009/10 financial year



Annual Report 2009/2010

CHAPTER 4

FUNCTIONAL AREA SERVICE DELIVERY REPORTING

[re-construction]



4. FUNCTIONAL AREA SERVICE DELIVERY REPORTING

4.1 ENGINEERING SERVICES

Engineering Services is primarily responsible for the maintenance, upgrade and provision of new municipal infrastructure assets and service delivery. Technical Services monitors the Consultants and Contractors on site during the implementation of the project. We have two Technicians who go to site to check the progress and conduct site meetings.

The maintenance team helps as handy man and every maintenance work in the Municipal Buildings; it may be Community Halls or Municipal Offices. We also have two operators. One Grader Machine Operator who blades all the municipal Roads and one TLB Machine Operator who helps every where there is a need of TLB excavation.

We also have a team which is out sourced from private service provider to clean the town by collecting waste every day.

For this financial year, the following deliverables were achieved as stated in the Service delivery and budget implementation plan report below: -





Annual Report 2009/2010

ENGINEERING DEPARTMENT SDBIP

KPA	Strategic/ IDP Objective	KPI	Targets	2009/10		Status and Comments
				Target	Actual	
	Construction of the Gobuphahla Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 2,5 kilometres of gravel road by 28 February 2010	Completion of 2,5 km of gravel Road	Road is completed	Only the finishing of headwalls inlet and outlet is outstanding and the contractor is on site finishing it
	Construction of the Isihlwehlwe Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 2,5 kilometres of gravel road by 28 February 2010	Completion of 2,5 km of gravel Road	Road is completed	Only the finishing of headwalls inlet and outlet is outstanding and the contractor is on site finishing it
	Construction of the Ntombihlulunina Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 4,5 kilometres of gravel road by 31 October 2009	Completion of 3,5 km of gravel Road by 31 October 2009	Road is completed	Road was completed in time
	Construction of the Nkoneni Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 3,5 kilometres of gravel road by 31 October 2009	Completion of 3,5 km of gravel Road by 31 October 2009	Road is completed	Road was completed in time
	Construction of the Ntombazana Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 1,2 kilometres of gravel road by 28 February 2010	Completion of 1,2 km of gravel Road by 28 February 2010	Road is completed	Road was not completed in time
	Completion of the Khatha Road	(a) Registration of project with MIG (b) Monthly site visit to monitor progress by contractor (c) Monthly progress report submitted to MIG	Completion of 300 metres of concrete road by 28 February 2010	Completion of 300 metres of concrete road by 28 February 2010	Road is completed	Road was not completed in time
		(a) Registration of project	Asphalting of 2	Asphalting	Sidewalks	They were completed on time

ENGINEERING DEPARTMENT SDBIP Contd.....

Annual Report 2009/2010



Improvement in the quality of the roads within the town of Maphumulo	(a) Registration of project with MIG (b) Tender process finalised (c) Monthly site visit to monitor progress by contractor (d) Monthly progress report submitted to MIG	Upgrading of selected internal roads within the town of Maphumulo by 31 May 2010	Upgrading of the selected internal roads within the town of Maphumulo	The project is not yet completed	The challenge is the limited amount of funds which is transferred by MIG
Preparation of an Electrification Plan for the Maphumulo Municipality	Appointment of a service provider to prepare an Electrification Plan for approval by the Council of the Municipality	Approval by Council of the Electrification Plan by 30 June 2010	Approval by council of the Electrification Plan by 30 JUNE 2010	The project is completed	Plan was completed on time
Construction of streetlights within the Town of Maphumulo	(a) Registration of project with MIG (b) Tender process finalised and contractor appointed (c) Monthly site visit to monitor progress by contractor (d) Monthly progress report submitted to MIG	Construction of streetlights within the Town of Maphumulo by 30 April 2010	Construction of Streetlights within the town of Maphumulo by 30 April 2010	The project is completed	The project was completed on time
Monitoring of the programme to address electricity backlogs within the Municipality	Meeting on a monthly basis with representatives of Eskom to determine progress regarding electricity backlogs	Monthly meeting with representatives of Eskom to discuss community priorities	Monthly meeting with representatives of Eskom to discuss community priorities	Target not met	Meetings are arranged when ever there are issues to discuss
Monitoring of the programme to address water services backlogs within the Municipality	Meeting on a monthly basis with representatives of the Ilembe District Municipality to determine progress regarding water services backlogs	Monthly meeting with representatives of the Ilembe District Municipality to discuss community priorities	Monthly meetings with representatives of the Ilembe District Municipality to discuss community priorities	Monthly meetings are held	Target is met



Annual Report 2009/2010

ENGINEERING DEPARTMENT SDBIP Contd.....

Construction of a Town Hall for the Maphumulo Municipality	(c) Registration of project with MIG (b) Tender process finalised and contractor appointed (c) Progress with the design of the Town Hall (d) Monthly progress report submitted to MIG	Finalise the design of the Town Hall by 30 June 2010	Finalise the design of the Town Hall by 30 June 2010	The design is finalised	We have to change the site because the initial site will be expensive to build on
Monitoring of the construction of Phase 1 of the Kwa-Shushu Hot Springs project	Monitor the completion of the project funded by the KZN Department of Economic Development and Tourism	Confirm completion of Phase 1 of the Kwa-Shushu Hot Springs project by 30 April 2010	Confirm the completion of Phase 1 of the Kwa-Shushu Hot Springs project by 30 April 2010	Project is not Completed	The contractor promised to complete by 30 August 2010
Monitoring of the construction of the Maqumbi sports field	Monitor the completion of the project funded by the KZN Department of Sport and Recreation	Confirm the completion of the Maqumbi sports field by 30 June 2010	Confirm the completion of the Maqumbi Sports Field by 30 June 2010	Project is not yet complete	The new completion date is 30 September 2010
Provide for the maintenance of municipal buildings and other facilities	(a) Planned maintenance programme Implemented. (b) Ad hoc maintenance requests attended to within 48 hours	Effective utilisation of the maintenance team by daily deployment in terms of a maintenance programme			
To manage implementation of internally funded projects so that they are completed during the financial year	All internally funded projects to have commenced by the end of the 2009 / 2010 financial year	All internally funded projects to have completed by the end of the 2009 / 2010			



4.1.2 IMPROVEMENT PLANS / CORRECTIVE MEASURES

All the projects that were not completed in the financial year will be completed in 2010 / 2011 financial year early. Contractors that have financial problems to start the projects will be referred to the financial institutions and session will be signed. Contractors should submit financial plan and construction plan before starting on site.

4.1.3 BUDGET EXPENDITURE

The MIG budget could not be expended fully last financial year because the construction period was overlapping to the next financial year.

4.1.4 CHALLENGES FOR THE 2009/10

The challenges that we faced in 2009/2010 were that the projects were delayed by the contractors who did not start in time. Contractors had their internal problems. Usually the problems that contractors have are the start up budget. Contractors take a lot of time to organise finance for the project. Those projects were Maqumbi Sportfield, Gobupahla Road and Isihlwehlwe Road.

4.1.5 PRIORITIES FOR IDP 2010/11

We have a budget of R 14 035 517, 88 to spend in 2010/2011. We have allocated R 2 000 000, 00 budget for Fundani Road, allocated R 5 000 000, 00 for Ntunjambili Access Roads and also allocated R 2000 000, 00 for the Town Hall.

The balance will complete the projects that were started in last financial year. Those projects are Streetlights, Sidewalks, Maphumulo Town Internal Roads Phase 2, Khatha Road, Ntombazane Road, Isihlwehlwe Road and Gobupahla Road.

4.2 COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT

This department is responsible for social and local economic development within the municipal area of jurisdiction. The following issues are covered under this department: -

- Local Economic Development
- Library Services
- Youth Development
- Community Development



4.2.1 POVERTY ALLEVIATION PROJECT

To combat poverty Maphumulo Municipality purchased the tractor and it was allocated to the Department of Community Services. This tractor is used to assist women groups for the ploughing of community gardens. Identification and ploughing of gardens is coordinated through the War On Poverty Programme. The intention is for government departments, Non-Governmental Organizations to share resources, as the Department of Agriculture, Environmental Affairs and Rural Development provide seeds, seedlings and garden equipments after ploughing.

4.2.2 JOBS CREATED DURING THE YEAR

There are jobs that were created through Capital projects from the municipality, however statistics were not collected. We have however collected the data for the 2010/11 financial year, so they will reflect in the next year's annual report.

Here are the actual project deliverables as per the Service delivery and budget implementation plan.



4.2.3 COMMUNITY SERVICES SDBIP REPORT:-



KPA	Strategic/ IDP Objective	KPI	2009/10		Status and Comments
			Target	Actual	
Socio-Economic Development	To prepare a business plan to source funding to develop LED strategy	business plan developed	1	1	completed and funding was from DED through Gijima KZN programme
	To prepare a business plan to develop Agricultural Sector Plan	business plan developed	1	1	completed and funding was from DED through Gijima KZN programme
	To prepare terms of reference to appoint funding for Ithala Factory feasibility study	terms of reference	1	1	completed an the study was completed and the funding was sourced internally
	source funding for projects prioritised in the LED strategy	Business plans developed	4	4	completed an developed business plans were submitted to various funders, one reveived funding of R3,5 million from COGTA corridor development programme
	to develop business plan to source funding for projects prioritized in the Agricultural Sector Plan		2	2	developed business plans were submitted to various funders, no funding was received.

4.2.3.1 IMPROVEMENT PLANS / CORRECTIVE MEASURES

- Trainings for officers to enable them to write business plans and manage projects properly were identified and are coordinated.
- Submission of applications to all programmes initiated by the provincial and national government.
- Set up meetings with well established businesses to form partnerships



4.2.3.2 BUDGET EXPENDITURE

Due to the limited municipal budget, the department of community services does no allocation internally for capital projects, but the expenditure for projects funded externally is managed

4.2.3.3 CHALLENGES FOR THE 2009/10

- Unavailability of funds to implement projects prioritised both on the LED strategy Agricultural Sector Plan.
- Insufficient capacity of beneficiaries to manage funded projects.
- Lack of support from the provincial government to implement projects with potential to promote economic growth

4.3 HUMAN SETTLEMENT DEPARTMENT

Maphumulo Municipality has a unit that deals specifically with the Housing Issues. Most of the g used in this unit is from the Human Settlement Department. The following are the projects that v undertaken, completed and handed over to communities: -

Project 1: NGCOLOSI HOUSING PROJECT

Houses completed: 1000

Foundations	:	754
Wall plate	:	576
VIP	:	540
Hand over	:	505

Project 2 : NODUNGA HOUSING PROJECT

Houses completed: 930

Foundations	:	616
Wall plate	:	570
VIP	:	564
Hand over	:	570



Project 3: MABOMVINI HOUSING PROJECT

Houses completed:	860
Foundations	: 460
Wall plate	: 388
Hand over	: 374
VIP	: 374

Project 4: AMAMBHEDU HOUSING PROJECT

Houses completed:	1000
Foundations	: 568
Wall plate	: 512
Hand over	: 355
VIP	: 558

4.4 FINANCE DEPARTMENT

The aim of Finance Department is to provide support to the departments and the Municipality as whole and has the following sections:

- Billing
- Credit control and debt collection
- Payments and financing
- Budgeting, Reporting and Compliance monitoring
- MPCC
- SCM
- IT

PERFORMANCE HIGHLIGHTS OF 2009/10

4.4.1 BILLING

We have successfully implemented the Property Rates for the first time in Maphumulo area. We experienced difficulties from the owners of the commercial properties, Public Services Infrastructure and other government properties

4.4.2 CREDIT CONTROL AND DEBT COLLECTION

The municipality upgraded the financial management systems in order to comply with financial management legislation. The budget and budget related policies were approved by the Council



4.4.3 PAYMENTS AND FINANCING

Payments to creditors were paid within 30 days; and those that were not paid within 30 days had queries. The relevant departments were given reports in relation to the budget performance.

4.4.4 BUDGET, REPORTING AND COMPLIANCE MONITORING

The budget performance was assessed during the first half of the year and budget adjustment was performed. On monthly bases the statutory reports were submitted to National, Provincial Treasury, COGTA and other stakeholders.

4.4.5 MPCC

Management of all lease agreements reviews them when required for adjustment, updating or renewal as is appropriate.

4.4.6 SCM

All service providers to have a signed service level agreement with the Municipality. The statutory reports were submitted to National and Provincial Treasury as required by the MFMA.

The following is the report as per the Service Delivery and Budget Implementation Plan which outlines the deliverables of 2009/10 financial year: -

4.4.7 FINANCE SDBIP REPORT:-

The SDBIP below outlines the deliverables for 2009/10 financial year

National KPA	IDP Objective	Key Performance Area (KPA)	Objective	Key Performance Indicators (KPI's)	Annual Target	Quarter ending			Comments
						30-Jun-10			
						Projected	Actual		
Financial Viability and Management	To manage the Municipality's resources to ensure financial viability and sustainability	Revenue enhancement	To implement MPRA to enhance revenue	MPRA implemented	Implement MPRA by the end of February 2010.	MPRA fully implemented	MPRA fully Implemented		
				Valuation Roll finalised	Finalisation of the valuation roll	Valuation rolls finalized	Valuation roll finalized		
				Workshop on Rates policy conducted	Workshop on Rates policy to Councilors and staff	Workshop on Rates policy conducted	Workshop on rate policy not conducted		
				Rates policy approved by Council	Rates Policy to be submitted to Council for approval	Policy submitted and adopted by council	Policy submitted and adopted by council		
	Financial Planning	To prepare a Budget for 2010/11 in accordance with the MFMA and Budget Circulars	Properties billed in terms of MPRA	Billing of properties initiated	Billing commenced in march	Billing commenced in march 2010			
			Budget time table adopted.	Prepare budget time table and submit to council for adoption.	Budget timetable adopted by council	Budget timetable approved by council			
			Input invited and receive comments	Invite budget input from HODs and Receive comments	Inputs received by deadline	Inputs received			
			Inputs incorporated and draft document completed	Incorporate inputs into the draft budget and prepare budget documentation	Budget approved and adopted. Budget sent to national treasury.	Budget approved and adopted. Budget sent to national treasury.			



Annual Report 2009/2010

4.4.7 FINANCE SDBIP REPORT:-

The SDBIP below outlines the deliverables for 2009/10 financial year

Financial Viability and Management	To manage the Municipality's resources to ensure financial viability and sustainability	Financial Planning				
			Management meeting held	Convene management meeting to consider draft budget document	N/A	N/A
			Budget related policies prepared and submitted to Council	Prepare budget related policies and submit to Council for approval.	2 policies approved by council	2 policies approved by council
			Draft budget tabled before Council before 28 February 2010	7. Table draft budget before the Council	Draft submitted by 28 Feb 2010	Draft submitted
			Draft budget document submitted to National and Provincial Treasury	8. Submit draft budget document to National and Provincial Treasury after it has been noted by Council	Draft submitted	Draft submitted
			Draft budget published for public comments and receive comments.	9. Publish draft budget for public comments	N/A	N/A
			Final draft budget completed	10. Incorporate public comments and prepare final draft budget.	Final draft budget completed by 30 April 2010.	Final draft budget completed in mid April 2010.
			Strategic meeting held and final budget submitted to Council and approved	11. Arrange Council strategic meeting and submit final draft budget to Council for approval.	Final draft budget approved before 15 May 2010.	Final budget approved before 15 May 2010 and adopted by 28 June 2010.
			Budget izimbizo held	12. Organize and hold budget izimbizo.	Budget izimbizo held before 30 June 2010	Budget izimbizo held by 28 May 2010.



4.4.7 FINANCE SDBIP REPORT:-

The SDBIP below outlines the deliverables for 2009/10 financial year

Financial Viability and Management						
To manage the Municipality's resources to ensure financial viability and Sustainability	Financial management, systems, and audits	To upgrade financial management systems in order to comply with financial management legislation	GRAP conversion completed and fully implemented	Appoint service provider to do GRAP conversion.	GRAP 100% Implemented.	
		To put in place and maintain internal control systems to ensure that unauthorised, irregular and wasteful expenditure is avoided	Weaknesses identified by the Auditor General and internal audit addressed and recommendations implemented	Monitor Internal controls and weaknesses identified	100% of AG recommendations implemented.	
	Financial management, systems, and audits	To manage revenue and expenditure so that over expenditure and under expenditure are avoided	over expenditure and under expenditure reduced by targeted %	3.Improve under expenditure and reduce over expenditure.	50% (cumulative) improvement	50%(Cumulative improvement achieved.
		To manage conditional grants expenditure	Expenditure of conditional grants by the targeted %	4.Provide monthly grant report.	80% (cumulative) improvement in conditional grants expenditure	90% of grant spend.
MPCC	Financial management, systems, and audits	To put in place and maintain a management, accounting and information system that accounts for the assets and liabilities	% effectiveness of the MPCC Unit	50%	90%	



4.4.7 FINANCE SDBIP REPORT:-

The SDBIP below outlines the deliverables for 2009/10 financial year

Financial Viability and Management		To manage the Municipality's resources to ensure financial viability and Sustainability							
Supply Chain Management	Mid-year budget and financial performance assessment	To manage SCM so that all institutional systems are in place and procurement and disposals take place in terms of the MFMA and the SCM Policy	To assess performance during the first half of the year and, if necessary, recommend budget adjustment	% Compliance with all the supply Chain Management Processes	80%	80%	80%	95%	
Service Lease Agreements		Management of all lease agreements to which the Municipality is a party	Review of all lease agreements when required for adjustment, updating or renewal as is appropriate	Ensure that all lease agreements to which the Municipality is a party are up to date and filed in a secure environment	Completed and signed service level agreements for all service providers	(a) Signed service level agreements for all projects / contracts (b) Monthly report on compliance with service level agreement			
		All service providers to have a signed service level agreement with the Municipality	(a) All service providers to have signed service level agreements prior to the commencement of the project / contract (b) Monthly monitoring of compliance with the service level agreement						

4.4.7.1 IMPROVEMENT PLANS / CORRECTIVE MEASURES

The municipality is recruiting the staff and gives them training as part of their capacity development, when they are trained on specific field then they resign for better job. We will develop a two years contract that will be binding between the employees and the municipality so that whoever has been trained has to serve the municipality for a period of two years.

4.4.7.2 BUDGET EXPENDITURE

The budget for this financial was fully expended and other votes were over expended due to the new system or the settings on the system to control the budge.

4.4.7.3 CHALLENGES FOR THE 2009/10

The challenges that we have experience in this financial was to move to the new financial system which is Pastel Evolution from Abakus. We were still learning on how to use the system and be able to control the expenditure/ budget on the system.

Rentals from the properties that is owned by the municipality we are experiencing problems with our tenants that they are refusing to pay due to the political interference.

4.4.7.4 PERFORMANCE BY SERVICE PROVIDERS

In the beginning of the financial year, the municipality moved from Abakus financial system to Pastel Evolution. Camelsa was appointed to do the installation and training of staff on how to use the system. Their performance in relation to training is good as their system is user friendly, and no one has experienced any problems relating to the new system.

The municipality also installed the Case wear system for the preparation of the Annual financial system and the improvement in reports for Treasury and other stakeholders.

Maphumulo municipality has moved to the newly build offices, that has just been completed and that meant a lot of service providers had to be sourced to make the new place functional, from the office furniture to the networking and cabling of the new offices. The municipality then sourced the services of the following service providers who are providing us with a very good service:

- IT consultancy
- Telkom for line connections



Annual Report 2009/2010

AUDITED STATEMENT AND RELATED FINANCIAL INFORMATION

CHAPTER 5



General Information

Legal form of entity	Local Municipality
Mayoral committee	
Mayor	Cllr. B.P Ngcobo (IFP - Mayor 01/07/2009 - 31/08/2009) Cllr. M.L. Ngidi (IFP - Mayor 01/10/2009 - 30/06/2010)
Councillors	Cllr. N.S Ndlovu (IFP - Acting Mayor 01/09/2009 - 30/09/2009) Cllr. B. Ngubane (IFP - Exco Member) Cllr. K.P. Ninela (IFP - Speaker) Cllr. N.S. Ndlovu (IFP - Deputy Mayor) Cllr. Z.F. Khuzwayo (ANC - Exco Member)
Grading of local authority	2
Accounting Officer	Mr. V.W. Mhlongo
Chief Finance Officer (CFO)	Mr. B. Ngubane
Registered office	R74 Sakhuxolo Multi Skills Centre Maphumulo 4470
Business address	R74 Sakhuxolo Multi Skills Centre Maphumulo 4470
Postal address	Private Bag X 9205 Maphumulo 4470
Bankers	First National Bank
Auditors	Auditor General



Annual Report 2009/2010

Index

The reports and statements set out below comprise the annual financial statements presented to the Council: **Index**

	Page
Accounting Officer's Responsibilities and Approval	45
Statement of Financial Position	46
Statement of Financial Performance	47
Statement of Changes in Net Assets	48
Cash flow statement	49
Accounting Policies	50 - 59
Notes to the Annual Financial Statements	60 - 80

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice GAMAP
	Generally Accepted Municipal Accounting Practice HDF
	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SA GAAP	South African Statements of Generally Accepted Accounting Practice

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which incorporated in South Africa.



Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on National and Provincial government. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Maphumulo Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 46.

The annual financial statements set out on pages 46 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2010 and were signed on its behalf by:

Mr. V. W. Mhlongo
Municipal Manager



Annual Report 2009/2010

Statement of Financial Position as at 30 June 2010

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Other financial assets	10	1,820,891	13,509,00
Trade and other receivables from exchange transactions	12	2,083,086	82,29
VAT receivable	13	2,572,370	984,35
Consumer debtors	14	594,076	
Cash and cash equivalents	26	1,214,886	3,921,76
		8,285,309	18,497,41
Non-Current Assets			
Investment property	8	12,342,483	12,997,83
Property, plant and equipment	7	62,923,935	34,160,32
Intangible assets	9	629,554	58,06
Long term receivables	11	78,616	71,25
		75,974,588	47,287,48
Non-Current Assets		75,974,588	47,287,48
Current Assets		8,285,309	18,497,41
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		84,259,897	65,784,89
LIABILITIES			
Current Liabilities			
Other financial liabilities	3	635,694	774,91
Lease obligation	4	124,859	52,37
Trade and other payables from exchange transactions	5	7,521,023	3,463,07
Unspent conditional grants and receipts	6	4,700,778	5,244,51
		12,982,354	9,534,88
Non-Current Liabilities			
Other financial liabilities	3	8,898,177	9,922,36
Lease obligation	4	296,297	124,72
		9,194,474	10,047,08
Non-Current Liabilities		9,194,474	10,047,08
Current Liabilities		12,982,354	9,534,88
Liabilities of disposal groups		-	-
Total Liabilities		22,176,828	19,581,968
Assets		84,259,897	65,784,897
LIABILITIES		(22,176,828)	(19,581,968)
NET ASSETS		62,083,069	46,202,929
NET ASSETS			
Accumulated surplus		62,083,069	46,202,929

Annual Report 2009/2010



Statement of Financial Performance for the year ended 30 June 2010

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	17	3,097,143	-
Rental of facilities and equipment		393,318	196,620
Government grants & subsidies	15	49,839,007	32,523,438
Other income	19	377,980	97,708
Interest received - investment	18	564,910	1,417,688
Total Revenue		54,272,358	34,235,454
Expenditure			
Personnel	20	(10,002,442)	(7,513,341)
Remuneration of councillors	21	(3,862,035)	(3,837,839)
Depreciation and amortisation	24	(3,391,926)	(1,672,124)
Finance costs	22	(1,141,927)	(39,072)
Auditors remuneration		(843,844)	(1,029,216)
Repairs and maintenance		(1,240,060)	(803,940)
Funded Expenditure		(2,305,574)	(1,503,795)
Bursaries & Loans		-	(26,452)
General Expenses	23	(15,604,410)	(6,206,735)
Total Expenditure		(38,392,218)	(22,632,514)
Loss on disposal of assets and liabilities		-	(1,190,945)
Revenue		54,272,358	34,235,454
Expenditure		(38,392,218)	(22,632,514)
Other		-	(1,190,945)
Surplus for the year		15,880,140	10,411,995



Annual Report 2009/2010

Statement of Changes in Net Assets for the year ended 30 June 2010

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 01, 2008	35,790,934	35,790,934
Changes in net assets		
Surplus for the year	10,411,995	10,411,995
Total changes	10,411,995	10,411,995
Opening balance as previously reported	46,137,258	46,137,258
Adjustments		
Prior year adjustments	65,671	65,671
Balance at July 01, 2009 as restated	46,202,929	46,202,929
Changes in net assets		
Surplus for the year	15,880,140	15,880,140
Total changes	15,880,140	15,880,140
Balance at June 30, 2010	62,083,069	62,083,069
Note(s)		



Cash flow statement for the year ended 30 June 2010

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash Receipts From Ratepayers, Government and Others		49,524,561	46,046,412
Cash Paid to Suppliers and Employees		(30,314,324)	(35,804,119)
Net cash flow from operating activities	25	19,210,237	10,242,292
Interest received		564,910	1,417,688
Interest paid		(1,141,927)	(39,072)
Net cash from/ (utilized in) operating activities		18,633,220	11,620,909
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(31,545,909)	(14,794,653)
Purchase of other intangible assets	9	(622,330)	-
Sale of businesses		-	-
Proceeds from sale of financial assets		11,688,109	(3,346,305)
Receivable Issued		(7,359)	-
Proceeds from sale of long term receivables		-	34,528
Other non-cash item		-	-
Net cash flows from investing activities		(20,487,489)	(18,106,430)
Cash flows from financing activities			
Repayment of other financial liabilities		(852,609)	10,650,788
Net cash flows from financing activities		(852,610)	10,650,788
Net (decrease)/increase in cash and cash equivalents		(2,706,879)	4,165,267
Cash and cash equivalents at the beginning of the year		3,921,765	(243,502)
Cash and cash equivalents at the end of the year	26	1,214,886	3,921,765



Annual Report 2009/2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practices (GRAP), and including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. The Annual Financial Statements incorporate for the first time all GRAP statements to 30 June 2009.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

These accounting policies are consistent with the previous year except for changes in accounting policy.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property,



Accounting Policies

1.3 Property, plant and equipment (continued)

Plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Depreciation/amortisation is provided on a straight-line basis which, it is estimated, will reduce the carrying amounts of the assets to their residual values at the end of their expected useful lives. The current estimated useful lives of various assets are as follows:

Item	Average useful life
Land & building	10 - 30 years
Infrastructure Assets	10 - 15 years
Plant and machinery	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	3 - 10 years
Office equipment	5 - 10 years
Computer hardware	3 - 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Impairment

The carrying amounts of tangible and intangible assets are reviewed at each financial year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. An asset is impaired when its carrying amount exceeds its recoverable amount.



Accounting Policies

1.5 Disposal of Property, Plant & equipment

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal, and is recognised in the Statement of Financial Performance.

1.6 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

1.7 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.



Accounting Policies

1.7 Intangible assets (continued)

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognized as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred. Intangible assets with infinite useful lives are not amortised and are recorded at cost.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	3 - 7 Years
--------------------------	-------------

1.8 Reserves

The municipality maintains no Reserves with exception of the Accumulated Surplus.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Municipality as Lessee

Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).



Annual Report 2009/2010

Accounting Policies

1.10 Financial instruments

Financial Assets

The Municipality classifies its financial assets in the following categories:

- Loans and receivables,
- Held to maturity and
- Available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. With regard to reclassifications of financial assets, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Municipality's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

Interest bearing borrowing

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method. Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Regular purchase and sales of financial assets are recognised on the trade date – the date on which the Municipality commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Offsetting of financial assets and liabilities

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- a) The Municipality has a legally enforceable right to set off the recognised amount; and
- b) The Municipality intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.
- c) In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality will not offset the transferred asset and the associated liability.

Derecognition

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the municipality has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost.

Impairment of financial assets

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.



Accounting Policies

Disposal

1.10 Financial instruments (continued)

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Counterparty exposure

The Municipality limits its counterparty exposure arising from money market by only dealing with well-established financial institutions.

Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method. Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other receivables

Accounts receivable are carried at anticipated realisable value. The carrying amount of the asset is reduced through the use of a provision for bad debt account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is deemed uncollectible, it is written off against the provision for bad debt account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

Trade and other payables

Trade Creditors are paid within 30 Days. The Municipality does not discount the creditors and as a result we have not factored any discounting into the value of trade creditors and the face value is taken as invoice value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Finance charges on bank overdrafts are expensed as incurred.

1.11 Provisions

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.

Provisions are recognised when the municipality has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economics benefits will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at year end adjusted to reflect the best current estimate.

1.12 Revenue from exchange transactions

"Revenue is derived from grants from other tiers of government, trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.



Annual Report 2009/2010

Accounting Policies

1.12 Revenue from exchange transactions (continued)

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest earned on investments

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on investment

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or Regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breach of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.



Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14 Conditional Grants & Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

1.15 Borrowing costs

Borrowing costs resulting from financing of capital projects during the period of construction are capitalised into the asset developed. Any other borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.16 Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis.



Annual Report 2009/2010

Accounting Policies

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Taxation

Municipality is exempt from tax in terms of section 10(1)(c)(i)(ff) of the Income Tax Act.

1.21 Investment property

Investment Property consists of a building developed to generate rental revenue and boost economic development within the Municipality. The property is carried at cost less accumulated depreciation or impairment over its useful life. Rental revenue is recognised in the statement of performance when it is due or received.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

1.22 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



Accounting Policies

1.23 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality

GRAP 18 Segment reporting - issued March 2005
GRAP 21 Impairment of Non - cash generating assets - issued March 2009
GRAP 23 Revenue from Non - Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of cash - generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009

Application of all the above GRAP standards will be effective from a date to be announced by the minister of finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above - mentioned GRAP standards issue but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flow of the municipality.



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

2. Prior period errors

Provision for leave pay accrual was incorrectly calculated.

Correction of Finance lease opening balance.

The correction of the error(s) results in adjustments as follows:

Cash flow statement

Leave Accrual

Balance previously reported

- 947,06

Leave Provision not accounted for

- 37,86

Restated balance

- 984,93

Finance Lease

Balance previously reported

- 228,25

Finance lease opening balance adjustment

- (103,53)

Restated balance

- 124,72

Restatement of surplus previously reported

Surplus previously reported

- 46,137,25

Leave provision

- (37,86)

Finance Lease

- 103,53

Surplus for the year restated

- (46,202,92)



Notes to the Annual Financial Statements

Figures in Rand	2010	2009
3. Other financial liabilities		
Long term loans		
FNB	9,533,871	10,697,279
	9,533,871	10,697,279
	-	-
Non-current liabilities		
Long term loans	8,898,177	9,922,362
Current liabilities		
Long term loans	635,694	774,917
	8,898,177	9,922,362
	635,694	774,917
	9,533,871	10,697,279
4. Lease obligation		
Minimum lease payments due		
- within one year	155,845	91,565
- in second to fifth year inclusive	464,377	263,205
Present value of minimum lease payments	620,222	354,770
Non-current liabilities		
Current liabilities	296,297	124,720
	124,859	52,377
	421,156	177,097
5. Trade and other payables from exchange transactions		
Trade payables	3,107,264	1,056,979
Uncleared Cheques	1,328,428	1,341,849
Illemba creditors	22,027	22,027
Accrued leave pay - Non Exchange	1,645,420	947,063
Petrol Card Accruals	22,712	-
Other payables - Control Accounts	12,629	-
Refunds (Property Rates Debtors) - Non Exchange	8,581	-
VW Mhlomo - Non Exchange	30,000	-
Retention	1,343,962	95,156
	7,521,023	3,463,074

Comparative amount relating to retention was previously reported on unspent grants.



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

6. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Anti - Corruption	134,500	134,500
Arts and Craft	26,702	78,947
CCJC Woman	4,050	4,050
Capacity Support Grant	70,190	70,190
Feasibility Study	39,261	39,261
Financial Management Grant	218,222	520,175
GIS Fund	246,468	246,468
IDP Grant	9,000	14,000
Induction Training Grant	10,745	10,745
Infrastructure Investment Plan	14,622	14,622
Unspent public contributions and donations	8,502	15,419
Internal Controls	150,000	150,000
Kwashushu Hot springs	-	500,000
Local Gov. SETA	223,218	173,587
MAP Project Consolidated	506,387	387,791
MDP Capacity Building	32,715	189,626
MPRA-Ilembe	28,869	28,869
MSIG IDP Grant	1,253	1,253
MSIG PMS	5,254	32,359
Maphumulo Nursery	-	421,275
Municipal Infrastructure Grant	-	793,770
Municipal System Improvement Grand	657,870	259,095
Operational Support MPCC	405,261	500,000
Project Consolidated	127,419	127,419
Project Rates Implementation	1,409	1,409
Public Participation	3,168	42,495
Sport grant	1,288,500	-
Titanium Mining	100,000	100,000
Urban Design Framework	17,193	17,193
Valuation Roll	370,000	370,000
	4,700,778	5,244,518

See APPENDIX D for reconciliation of grants from other spheres of government these amounts are invested in a ring-fence investment until utilised. Request has been made to Provincial Treasury Office for unutilized grants that remain as balance from prior year to the value of R1 315 979 to be spend on the other projects.

7. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated Depreciation	Carrying value	Cost / Valuation	Accumulated Depreciation	Carrying value
Buildings	26,083,914	(2,035,231)	24,048,683	12,086,559	(1,470,671)	10,615,888
Plant and machinery	3,882,736	(1,738,315)	2,144,421	3,349,137	(1,320,601)	2,028,536
Furniture and fixtures	887,304	(440,565)	446,739	683,461	(401,842)	281,619
Motor vehicles	1,220,685	(526,024)	694,661	834,885	(402,625)	432,260
Office equipment	745,390	(220,689)	524,701	269,952	(182,605)	87,347
IT equipment	412,972	(195,364)	217,608	421,763	(184,106)	237,657
Infrastructure	26,637,145	(3,009,992)	23,627,153	15,439,601	(1,619,183)	13,820,418
Capital work in progress	11,219,969	-	11,219,969	6,656,604	-	6,656,604
Total	71,090,115	(8,166,180)	62,923,935	39,741,962	(5,581,633)	34,160,329



Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	10,615,888	8,762,129	-	5,235,226	(564,560)	24,048,683
Plant and machinery	2,028,536	533,600	-	-	(417,714)	2,144,422
Furniture and fixtures	281,619	240,131	(5,085)	-	(69,926)	446,739
Motor vehicles	432,260	385,800	-	-	(123,398)	694,662
Office equipment	87,347	485,951	(3,009)	-	(45,589)	524,700
IT equipment	237,657	142,164	(88,478)	-	(73,735)	217,608
Infrastructure	13,820,418	9,776,166	-	1,421,378	(1,390,809)	23,627,153
Capital work in progress	6,656,604	11,219,969	-	(6,656,604)	-	11,219,969
	34,160,329	31,545,910	(96,572)	-	(2,685,731)	62,923,936

Assets subject to finance lease (Net carrying amount)

The Municipality has taken advantage of the transitional provisions as set out in paragraph 75 and 78 of GRAP 17. In terms of par 78, the Municipality is not required measure classes of PPE for reporting periods beginning on or after the date within 3 years following the date of initial adoption of the standard of GRAP.

8. Investment property

	2010			2009		
	Cost / Valuation	Accumulated Depreciation	Carrying value	Cost / Valuation	Accumulated Depreciation	Carrying value
MPCC Building	13,107,063	(764,580)	12,342,483	13,107,063	(109,227)	12,997,836

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
MPCC Building	12,997,836	(655,353)	12,342,483

Since there is no willing buyer and seller, council consider fair value to approximately equate to cost.

9. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	722,672	(93,118)	629,554	100,342	(42,277)	58,065

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	58,065	622,330	(50,841)	629,554



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
10. Other financial assets		
Available-for-sale		
ABSA Call Account	26,310	188,058
Terms and conditions		
FNB 2	1,508,211	4,833,464
Terms and conditions		
FNB 4	-	7,451,644
Terms and conditions		
ABSA 9	-	772,218
Terms and conditions		
Nedbank Call Account	11,070	-
Terms and conditions		
FNB 1	275,300	263,616
Terms and conditions		
	1,820,891	13,509,000
	-	-
	-	-
	1,820,891	13,509,000
	-	-
	-	-
Current assets		
Available-for-sale	1,820,891	13,509,000
Non-current assets	-	-
Current assets	1,820,891	13,509,000

The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.



Notes to the Annual Financial Statements

Figures in Rand

2010

2009

10. Other financial assets (continued)

Cash Investments

Account Description & Number	Opening Balance	Deposits	Interest	Payments	Closing Balance
FNB - Investment A/C #:71044342667	263,616	-	11,685	-	275,301
FNB - Investment A/C #:74105603986	4,833,464	-	263,623	3,588,874	1,508,213
Nedbank - Investment A/C Account # 4053523279	-	1,000,000	11,070	1,000,000	11,070
FNB - Investment A/C Account #:62207539795	7,451,644	2,000,000	212,499	9,664,143	-
ABSA - Investment A/C Account #: 206822330	772,218	-	43,133	815,351	-
ABSA Call A/C #: 915847532	188,058	815,347	22,902	1,000,000	26,307
	13,509,000	3,815,347	564,912	16,068,368	1,820,891

11. Long term receivables

Long term receivables - Non-current portion	78,616	71,257
Long term receivables - Current portion	-	-
Less: Provision for bad debts	-	-
	78,616	71,257

12. Trade and other receivables from exchange transactions

Employee costs in advance	46,061	18,177
IEC	311	311
Nebulon Construction	-	48,358
Game Stores	13,124	13,124
Rental	24,225	107,609
Ilembe rural development grant	100,000	100,000
V Mhlongo	44,411	2,452
Gijima agricultural sector plan grant	8,020	8,020
SARS - PAYE	884,104	-
Provision for doubtful debts	(3,330,543)	(215,759)
T & C Rainbow Security Services	84,200	-
Government subsidies	4,153,238	-
Department of Human Settlement	55,935	-
	2,083,086	82,292

Reconciliation of provision for impairment of trade and other receivables

Opening balance	215,759	18,037
Provision for impairment	3,114,784	197,722
	3,330,543	215,759

13. VAT receivable

VAT	2,572,370	984,353
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14. Consumer debtors



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
14. Consumer debtors (continued)		
Gross balances		
Rates	2,376,110	-
Less: Provision for debt impairment		
Rates	(1,782,034)	-
Net balance		
Rates	594,076	-
Rates		
31 - 60 days	255,300	-
61 - 90 days	337,776	-
91 - 120 days	1,000	-
	-	-
Reconciliation of debt impairment provision		
Contributions to provision	(1,782,034)	-
15. Government grants and subsidies Realised		
Agri Sector Plan Gijima KZN	-	1,215
Art & Craft	60,866	-
CCJC Woman	-	175,950
Corridor Development	-	500,000
Equitable share	27,395,003	20,656,870
Financial Management Grant	1,053,761	347,622
Housing Sector Plan	-	95,850
Human Resource System	-	83,000
IDP Grant	5,000	77,042
Inter - Departmental Monitoring	6,917	4,228
KwaShushu Hotsprings	2,538,454	-
Local Government SETA	1,170	16,184
MAP Project Consolidated	281,404	34,300
MDP Capacity Building	156,911	208,417
MFMA Grant	-	73,335
MSIG PMS	27,105	-
Maphumulo Nursery	520,573	-
Municipal Infrastructure Grant	17,144,256	7,897,082
Municipal System Improvement Grant	510,021	367,773
Operational Support MPCC	94,739	-
Project Consolidated	-	1,653,581
Public Participation	42,827	291,931
Urban Design Framework	-	39,058
	49,839,007	32,523,438

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of, which is funded from the grant.

Capacity Support Grant

Balance unspent at beginning of year	70,190	70,190
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Notes to the Annual Financial Statements

Figures in Rand	2010	2009
15. Government grants and subsidies Realised (continued)		
Conditions still to be met - remain liabilities (see note 6)		
Provide explanations of conditions still to be met and other relevant information		
Feasibility Study		
Balance unspent at beginning of year	39,261	39,261
Conditions still to be met - remain liabilities (see note 6)		
Provide explanations of conditions still to be met and other relevant information		
IDP Grant		
Balance unspent at beginning of year	14,000	91,042
Conditions met - transferred to revenue	(5,000)	(77,042)
	9,000	14,000
Municipal System Improvement Grant		
Balance unspent at beginning of year	259,095	19,715
Current-year receipts	908,797	607,153
Conditions met - transferred to revenue	(510,022)	(367,773)
	657,870	259,095



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
15. Government grants and subsidies Realised (continued)		
Financial Management Grant		
Balance unspent at beginning of year	520,175	368,895
Current-year receipts	751,808	500,000
Conditions met - transferred to revenue	(1,053,761)	(348,720)
	218,222	520,175
This grant is funded by National Treasury to assist Local Government Pilot Municipality with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.		
MFMA Grant		
Balance unspent at beginning of year	-	73,335
Conditions met - transferred to revenue	-	(73,335)
	-	-
Retention		
Balance unspent at beginning of year	-	76,463
Current-year receipts	1,410,775	18,693
Conditions met - transferred to revenue	(1,410,775)	(95,156)
	-	-
MDP Capacity Building		
Balance unspent at beginning of year	189,626	398,004
Conditions met - transferred to revenue	(156,911)	(208,378)
	32,715	189,626
MAP Project Consolidated		
Balance unspent at beginning of year	387,791	22,091
Current-year receipts	400,000	400,000
Conditions met - transferred to revenue	(281,404)	(34,300)
	506,387	387,791
Project Consolidate		
Balance unspent at beginning of year	127,419	1,781,000
Conditions met - transferred to revenue	-	(1,653,581)
	127,419	127,419
Inter Departmental Monitoring		
Balance unspent at beginning of year	15,419	19,647
Conditions met - transferred to revenue	(6,917)	(4,228)
	8,502	15,419



Notes to the Annual Financial Statements

Figures in Rand

15. Government grants and subsidies Realised (continued)

Balance unspent at beginning of year	793,770	-
Current-year receipts	13,335,000	8,690,852
Conditions met - transferred to revenue	(17,144,256)	(7,897,082)
Impairment	3,015,486	-
	-	793,770

This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

Local Government SETA

Balance unspent at beginning of year	173,587	142,327
Current-year receipts	50,801	47,445
Conditions met - transferred to revenue	(1,170)	(16,185)
	223,218	173,587

Agriculture Sector Plan

Balance unspent at beginning of year	-	1,215
Conditions met - transferred to revenue	-	(1,215)
	-	-

Arts and Craft

Balance unspent at beginning of year	78,947	15,737
Current-year receipts	8,621	63,210
Conditions met - transferred to revenue	(60,866)	-
	26,702	78,947

Public Participation

Balance unspent at beginning of year	42,495	334,427
Current-year receipts	3,500	-
Conditions met - transferred to revenue	(42,827)	(291,932)
	3,168	42,495

Human Resource System

Balance unspent at beginning of year	-	83,000
Conditions met - transferred to revenue	-	(83,000)
	-	-

Corridor Development

Current-year receipts	-	500,000
Conditions met - transferred to revenue	-	(500,000)
	-	-



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
15. Government grants and subsidies Realised (continued)		
Urban Design Framework		
Balance unspent at beginning of year	17,193	56,251
Conditions met - transferred to revenue	-	(39,058)
	17,193	17,193
Housing Sector Plan		
Balance unspent at beginning of year	-	3,450
Current-year receipts	-	92,400
Conditions met - transferred to revenue	-	(95,850)
	-	-
Kwashushu Hot springs		
Balance unspent at beginning of year	500,000	-
Current-year receipts	1,000,000	500,000
Conditions met - transferred to revenue	(2,538,454)	-
	(1,038,454)	500,000
CCJC Woman		
Balance unspent at beginning of year	4,050	180,000
Conditions met - transferred to revenue	-	(175,950)
	4,050	4,050
Conditions still to be met - remain liabilities (see note 6)		
Provide explanations of conditions still to be met and other relevant information		
16. Revenue		
Property rates	3,097,143	-
Rental of facilities & equipment	393,318	196,620
Government grants & subsidies	49,839,007	32,523,438
	53,329,468	32,720,058
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities & equipment	393,318	196,620
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	3,097,143	-
Government grants & subsidies	49,839,007	32,523,438
	52,936,150	32,523,438
Lease Revenue		
Not later than 1 year:	271,945	-
Later than 1 year but not later than five years	1,249,194	-



Notes to the Annual Financial Statements

Figures in Rand

16. Revenue (continued)

2010 2009

1,521,139 -

17. Property rates

Rates received

State Owned	8,286,400	-
Ingonyama Trust Board	4,650,975	-
PSI	3,589,750	-
Commercial	1,372,950	-
Municipal Properties	329,550	-
Churches	72,000	-
Churches	58,300	-
Less: Income forgone	(15,262,782)	-
	3,097,143	-

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009.

Randage applicable to all properties equal to 0.05.

Rebates amount to 30% for all categories except for Ingonyama Trust Board which is 50%.

Only 25% is charged during the first year, therefore 75% is forgone.

18. Investment revenue

Interest revenue

Investments	564,910	1,417,688
	-	-
	564,910	1,417,688

19. Other income

Tender document sales	144,900	-
Discount received	443	97,708
Other income	123,534	-
Administration fees and commission	11,378	-
Vat recovery	97,725	-
	377,980	97,708

20. Employee related costs

Basic	6,417,583	4,220,279
Medical aid - company contributions	324,959	224,981
UIF	59,097	-
WCA	150	-
SDL	89,139	95,435
Post-employment benefits - Pension - Defined contribution plan	501,314	628,927
Supplementary Allowance	(14,973)	-
Car allowance	332,816	629,129
Housing benefits and allowances	75,876	101,001
Cellphone Allowance	23,000	-
Group Life	8,518	29,218
	7,817,479	5,928,970



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

20. Employee related costs (continued)

Remuneration of Municipal Manager

Annual Remuneration	499,290	485,154
Travel Allowance	196,587	162,687
Housing	6,000	6,000
Other allowances	25,668	25,668
Contributions to UIF, Medical and Pension Funds	117,238	79,885
	844,783	759,394



Notes to the Annual Financial Statements

Figures in Rand

2010

2009

20. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual Remuneration	516,080	328,102
Travel Allowance	180,000	135,000
Other allowances	-	13,912
Contributions to UIF, Medical and Pension Funds	-	-
	696,080	477,014

Remuneration of the Director: Support Services

Annual Remuneration	414,956	45,423
Travel Allowance	135,600	26,333
Housing	-	558
Other allowances	-	1,642
Leave encashment	-	22,146
Contributions to UIF, Medical and Pension Funds	93,544	3,920
	644,100	100,022

Remuneration of the Director: Strategic Services

Annual Remuneration	-	174,529
Travel Allowance	-	70,000
Contributions to UIF, Medical and Pension Funds	-	3,412
	-	247,941

Employee Benefit

Total contribution by Maphumulo Local Municipality amount to R645 529.57

The Municipality's employees are members of Natal Joint Municipal Pension Fund (a State and Multi-Employer Define Benefit Plan). Along with other Municipalities in the province of Kwazulu Natal, Maphumulo Local Municipality participates in a multi-employer defined plan. Because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. Maphumulo Local Municipality therefore accounts for the plan as if were defined contribution plan per Exposure Draft No. 49.

21. Remuneration of councillors

Mayor	400,121	439,717
Councillors	2,910,751	2,896,776
Cellphone Allowance	229,125	206,193
Councillors Medical Aid Contributions	82,697	63,001
Councillors Pension fund Contributions	239,341	232,152
	3,862,035	3,837,839

22. Finance Costs

Long term loans	1,141,927	39,072
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Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
23. General expenses		
Advertising	98,527	116,190
Audit Committee	70,476	82,566
Bad Debts	346,679	150,009
Bank charges	47,706	72,167
Billing charges	8,825	5,690
Cleaning	457,445	128,947
Community Awareness	300,518	428,230
Consulting and professional fees	958,793	94,503
Electricity and Water	699,286	213,430
Emergency relief & disaster	750	1,904
Entertainment	196,530	94,681
Leave Reserve	1,043,373	518,825
Contribution to bad debts provision	4,896,819	-
Free Basic Services	274,011	426,076
Fuel and oil	425,546	436,044
Insurance	155,493	166,336
Insurance - UIF	-	43,139
Internal Audit	667,165	42,114
LED Projects	43,941	113,608
Licences	118,543	33,224
Magazines, books and periodicals	-	1,469
Mayoral Office	295,767	250,660
Medical Exams	4,750	6,600
Membership fees	3,282	60,717
Postage and courier	1,586	1,245
Printing and stationery	224,486	194,645
Rent - Plant, Vehicles and Other	528,126	572,488
Security	1,452,132	541,012
Sports	945,677	379,308
Stores and Materials	-	1,750
Subsistence and travel Conferences	353,842	290,518
Telephone and fax	425,766	456,450
Training	237,959	46,608
Uniforms	5,817	8,858
Venue expenses	-	(2,452)
Workshop / Conferences / Meeting	314,794	229,176
	15,604,410	6,206,735
24. Depreciation and amortisation		
Property, plant and equipment	3,391,926	1,672,124
25. Cash generated from operations		
Surplus for the year	15,880,140	10,346,324
Depreciation and amortization	3,391,926	1,672,124
Interest received	(564,910)	(1,417,688)
Interest paid	1,141,927	1,639,022
Loss on scrap of assets	96,573	1,190,945
Consumer Debtors	(594,076)	406,982
Other Debtors	(2,000,794)	
Vat	(1,588,017)	
Creditors	4,057,949	(1,354,946)
Unspent conditional grants and receipts	(543,740)	(947,917)
Finance lease liability	72,482	
Current portion of long term liabilities	(139,223)	(307,396)
Cash generated from operations	19,210,237	10,242,292



Notes to the Annual Financial Statements

Figures in Rand

2010

2009

26. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	417	901
Bank balances and cash	1,214,469	3,920,864
	1,214,886	3,921,765

Current Accounts Held by the Municipality

Account Description & Number	Opening Balance	Deposits	Interest	Payments	Closing Balance
FNB Current Account # 62023868998	3,017,339	65,891,134	1,477	68,648,949	261,001
ABSA Current Account # 4056102866	903,525	1,150,451	14,721	1,115,229	953,468
	3,920,864	67,041,585	16,198	69,764,178	1,214,469

27. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,533,871	10,697,279
Used to finance property, plant and equipment	(8,000,000)	(3,697,279)
	1,533,871	7,000,000

28. Taxation

No provision for tax has been made as the municipality is exempt in terms of Section 10 (1) (cM) of the Income Tax Act.

29. Commitments

Authorised capital expenditure

Approved and contracted for:

• Infrastructure	6,978,020	3,246,592
• Land & Buildings	-	8,583,045
• Other	-	40,050
	6,978,020	11,869,687

Approval and not yet contracted

• Infrastructure	-	100,000
• Land & Buildings	-	190,500
	-	290,500

This committed expenditure relates to property and payment made subject to approval of the project.



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

30. Contingencies

The Municipality concluded an agreement with Fijutsi Siemens to provide a financial system, manage the migration to the new system and provide adequate training to staff on all modules purchased with the new system. The agreement also included managing the conversion process to GRAP and providing the municipality with 2009/10 GRAP compliant Annual Financial Statements. The contract was for R 843,000 exclusive of VAT, and incorporated all the services as per the agreement. An Invoice of R1, 200 000 was submitted by the service provider however management refused to settle the invoice since management was of the opinion that the project was not implemented as per the agreement. Furthermore staff was not adequately trained as was required by the agreement. This led to a dispute which may result in litigation between the municipality and the service provider. A Guarantee of R 138,000 was provided to Eskom as collateral for a deposit for provision of Electricity.

31. Financial Instruments

Exposure to currency, interest rate, credit risk and liquidity risks arise in the normal course of the Municipalities' business

Financial risk management

The Municipalities has exposure to the following risks from its use of financial

instruments: Liquidity Risk
Interest Rate Risk
Credit Risk

This note presents information about the Municipality's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements

The Council and the Accounting Officer have overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyze the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Municipality's activities.

The Municipality through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations

Financial Assets

Total assets	8,285,309	18,497,411
Investments	1,820,891	13,509,000
Trade and other receivables	5,249,532	1,066,646
Cash and cash equivalents	1,214,886	3,921,765

Financial Liabilities

Total liability	22,176,828	19,404,871
Loans Received	9,533,871	10,697,279
Trade & other Payables	7,521,023	3,463,074
Finance Lease	421,156	177,097
Unspent Grants	4,700,778	5,244,518

The Accounting Officer is of the opinion that the values reflected in the financial statements are a true reflection of Fair values of both the Financial Assets and Liabilities.

Basis of determining Fair value

Trade and other Receivables/Payables

The fair value of trade & other receivable is estimated to be the actual receipts expected adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.



Notes to the Annual Financial Statements

Figures in Rand

2010

2009

31. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet its commitments. The Municipality's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation. The bulk portions of investments held are short term and can be converted when required. The loan raised was raised for the development of the Municipal Offices at a fixed rate throughout the period of repayment. Total balance of liquidity risk R9 202 387.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the Municipality's capacity to service such debt from future earnings and allocations however the long term loan's interest rate is fixed throughout the term of repayment.

Balances exposed to the interest rate risk

Investments	1,820,891	13,509,000
Cash & Cash investment	1,214,886	3,921,765
	3,035,777	17,430,765

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the Municipality, thereby causing financial loss to the Municipality. It is the Municipality's policy that all customers who wish to trade on credit terms are subject to payment of a deposit. In addition, receivable balances are monitored on an ongoing basis with the result that the Municipality's exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Trade and other receivables from exchange transactions	2,083,086	82,292
VAT receivable	2,572,370	984,353
Consumer debtors	594,076	-
	5,249,532	1,066,645

The ageing of trade receivables at the reporting date was

	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Current	5 181 074	3 114 784	340 925	
Past Due: 31 to 60	596 568	-	161 321	
Past Due: 61 to 90	639 071	258 095	299 450	
More than 90	3 945 397	1 739 698	480 708	215 759



Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

32. Related parties

The Municipal Manager is the chairperson of the IEC within the Municipal jurisdiction. The IEC has rented office space from the municipality.

Related party transactions

The transactions entered into during the year by the Municipality and the IEC are as follows:

Rental Income for the year	25,797	25,797
Accounts receivable from the IEC	6,760	12,435

There were no other related parties transactions during the year.

33. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Council contributions	-	-
Amount paid - current year	-	60,717
Other	-	-
	-	60,717

Audit fees

Opening balance	-	3,078
Current year subscription / fee	843,844	1,029,216
Amount paid - current year	(843,844)	(1,032,294)
	-	-

VAT

VAT receivable	2,572,370	984,353
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VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Current year payroll deductions	2,859,383	1,688,819
Amount paid - current year	(2,859,383)	(1,688,819)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Councillors'	785,915	1,672,818
Amount paid - current year	(785,915)	(1,672,818)
	-	-

34. Operating lease

The amounts of minimum lease payments under non-cancellable operating leases in respect of photocopier equipment are as follows for:



Notes to the Annual Financial Statements

Figures in Rand

2010

2009

34. Operating lease (continued)**Equipment**

- Within one year	27,180	32,520
- In second to fifth year inclusive	27,180	97,560
	54,360	130,080

Vehicles

- Within one year	104,414	51,408
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35. Unauthorised expenditure

Unauthorised expenditure awaiting authorization	15,195,688	-
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Incident

Overspending on Operating expenditure amounted to R 1 182 503 was due to finance charges and repair and maintenance

Relating to MPCC.

Over expenditure was incurred due to finance charges and repair and maintenance relating to MPCC.

Overspending on capital expenditure amounted to R14 013 185 as a results of addition in excess of adjusted budget.

The reason for over expenditure is that the budget was not rolled over in line with the approval of R10 000 000 loan from First National Bank.

Action

Part of the amount will be recovered from MIG and are disclosed as debtors in note 12.

Unauthorised expenditure will be taken to council for approval subsequent to adjustment budget.

36. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	-
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37. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	2,845,883	-
Less: Amounts condoned	-	-
	2,845,883	-

Details of irregular expenditure – current year

Irregular expenditure occurred as a results of non-compliance with section 17 1 (C) of SCM regulation and expenditure is not recoverable, therefore it will be taken to the council for approval.	1,988,375	-
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Non compliance with section 22(2) of the regulation, expenditure incurred was due to the fact that the newspaper used to advertise the tenders was instructed on the 8th as per order form to advertise on the 9th, however the advert only appeared on the paper on the 11th which did not cover the 14 days as required by the section, therefore the incident was beyond municipality control, however where the contract was approved the amount of deviation has been disclosed.	527,508	-
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Annual Report 2009/2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
37. Irregular expenditure (continued)		
Irregular expenditure amounting to R330 000	330,000	-
relates to section 32 of supply chain management, during world cup council resolved that municipality should do something for the public and resolution is available for inspection.		-
		-
38. Deviation from supply chain management regulations		
Deviation occurred as a result of applying section 36 Of supply chain management.	1,258,490	
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.		
39. Retirement Benefits Information		
The Municipality's employees are members of Natal Joint Municipal Pension Fund (a State and Multi-Employer Define Benefit Plan). Along with other Municipalities in the province of Kwazulu Natal, Maphumulo Local Municipality participates in a multi-employer defined plan. Because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. Maphumulo Local Municipality therefore accounts for the plan as if were defined contribution plan per Exposure Draft No. 49.		
Total contribution by Maphumulo Local Municipality amount to R 645 529.57		
40. Reconciliation of budget surplus/ (deficit) with the surplus/ (deficit) in the statement of financial performance		
Net surplus per the statement of financial performance	15,880,140	-
Adjustments:		-
Property rates	1,902,857	-
Rental of facilities and equipment	(172,722)	-
Interest earned	869,877	-
Other income	(317,980)	-
Grants and subsidies	(1,202,334)	-
Employee related costs	(2,537,439)	-
Remuneration of councillors	(326,467)	-
Repairs and maintenance	382,060	-
Depreciation not budgeted for	3,391,926	-
General expenditure	4,390,519	-
Finance cost	1,131,927	-
General expenditure	(2,668,796)	-
Audit fees	843,844	-
Grand operating expenditure	2,305,574	-
Net surplus per approved budget	(23,872,986)	-



CHAPTER 5

Auditor General's Report



Annual Report 2009/2010

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MAPHUMULO MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Maphumulo Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 80.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maphumulo Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

9. As disclosed in note 30 to the financial statements, the municipality is in dispute with a service provider for a breach of contract relating to the installation of computer software. The timing and outcome of the resolution of the dispute cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 2 to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of errors discovered during the year ended 30 June 2010.

Unauthorised/irregular expenditure

11. As disclosed in note 35 to the financial statements, unauthorised expenditure amounting to R15,2 million was incurred, as a result of expenditure incurred in excess of the adjustments budget.
12. As disclosed in note 37 to the financial statements, irregular expenditure amounting to R2,9 million was incurred, as a result of expenditure incurred in contravention of the Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005)(Municipal SCM Regulations).

Financial sustainability

13. As disclosed in accounting policy note 1.2 to the financial statements, the municipality is dependent on government grants to fund its operations. The municipality's financial sustainability is dependent on the receipt of conditional and unconditional grants for the forthcoming year.

Additional matters

14. I draw attention to the matters below. My opinion is not modified in respect of this matters:

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations: Municipal Finance Management Act, Local Government: Municipal SCM Regulations (GRN 868 of 30 May 2005) (Municipal SCM Regulations) and the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).



Annual Report 2009/2010

Predetermined objectives

16. Material findings on the report on predetermined objectives, as set out on pages 27 to 41, are reported below:

Non-compliance with regulatory and reporting requirements

Local Government: Municipal Systems Act of South Africa

Measures taken to improve performance not reported

17. Contrary to section 46 the MSA, the municipality's annual report did not include measures taken to improve performance, where the reported performance targets were not met.

Local Government: Municipal Planning and Performance Management Regulations, 2001

Internal auditing of performance measurements

18. Contrary to section 14(c)(ii), of the Local Government: Municipal Planning and Performance Management Regulations, the internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Existence and functioning of a performance audit committee

19. Contrary to section 14(4)(a), of the Local Government: Municipal Planning and Performance Management Regulations, the performance audit committee did not:

- review the municipality's performance management system and make recommendations to the council.
- submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Usefulness of information

20. The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved annual integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit finding relates to the above criteria:

Planned and reported performance targets not specific and not measurable

21. For the infrastructure and service delivery objectives, certain planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance.
- measurable in identifying the required performance.



Incomplete reporting on all predetermined indicators and targets

22. For the infrastructure and service delivery program, the actual achievements with regard to planned indicators and targets specified in the integrated development plan and the service delivery budget implementation plan were not reported in the annual performance report.

Reliability of information

23. The following criteria were used to assess the reliability of the planned and reported performance:
- **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation.
 - **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
 - **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit finding relates to the above criteria:

Inadequate content of integrated development plan

24. Contrary to section 26(i) and 41(1)(b) of the MSA, the integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system.

Compliance with laws and regulations

Local Government: Municipal Finance Management Act

Financial statements not prepared in accordance with relevant legislation

25. Contrary to section 122(1) of the MFMA, the municipality did not prepare financial statements which fairly presented the results of its operations at 30 June 2010, as material adjustments were made to the financial statements submitted for audit on the 31 August 2010.

The mayor did not adhere to his legislative responsibilities

26. Contrary to section 21 of the MFMA, the municipality did not table, in the municipal council, a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget in the municipal council 10 months before the start of the budget year.

Expenditure was not paid within the parameters set by the applicable legislation

27. Contrary to section 65(2)(e) of the MFMA, the accounting officer has not ensured that suppliers were paid within 30 days of receipt of invoice.



Annual Report 2009/2010

The accounting officer did not adhere to his statutory responsibilities

28. Contrary to section 79(1)(c) of the MFMA, the accounting officer did not review delegations of power and if necessary amend or withdraw those delegations.

Municipal SCM regulations

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

29. Contrary to Municipal SCM Regulation 22, competitive bids were not advertised for at least 14 days in the local newspapers or the municipality's website.
30. Contrary to Municipal SCM Regulation 12(1)(c) and 17(1), goods and services with a transaction value between R10 000 and R200 000 were procured without inviting at least three written price quotations and the deviation was not approved by the delegated authority.

Supply Chain Management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

31. Contrary to section 116(3) of the MFMA, The municipality extended the contracts of certain service providers without notifying the public.
32. Contrary to Municipal SCM Regulation 41(2), the internal audit division did not perform any risk assessment on effectiveness of supply chain management systems (policies and processes).

Internal control

33. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and Municipal SCM Regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control.
34. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

35. The accounting officer has not exercised oversight responsibility and taken adequate steps to mitigate risks over financial reporting, compliance with the MFMA and Municipal SCM Regulations.
36. The accounting officer has not performed adequate reviews of performance targets to ensure that they were specific and measurable.

Financial and performance management

37. The accounting officer has not implemented adequate systems and processes in the finance department to ensure that transactions and balances are correctly reflected in the underlying records and that it supports the information recorded in the financial statements.
38. The supply chain management division has not implemented an effective internal monitoring system to ensure that supply chain management processes are being followed.



Governance

39. Internal audit did not fulfil its responsibilities as set out in legislation with regard to review and reporting on predetermined objectives.
40. The internal audit division did not perform any risk assessment on effectiveness of supply chain management systems (policies and processes).
41. The audit committee did not perform on-going monitoring of the internal audit division to ensure that they are fulfilling their responsibilities with regard to performance management.
42. The audit committee did not perform detailed reviews of the financial statements before they were submitted for audit to ensure that they complied with the requirements of GRAP.

OTHER REPORTS

Investigations in progress

43. Investigations are in progress by the Department of Cooperative Governance and Traditional Affairs into allegations of misconduct by certain municipal officials.

Auditor - General

Pietermaritzburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence